# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,513 Wednesday January 2 1985 D 8523 B



UK Chancellor's New Year interview, Page 8

## NEWS SUMMARY

### GENERAL

## Reagan against weapons 'reward'

**President Reagan is against any advance U.S. restraint on space weapon research or testing of anti-satellite missiles that could be interpreted as rewarding the Soviet Union for returning to the negotiating table in Geneva next week.**

Officials in Washington said any U.S. concessions on space-based "star wars" defensive weapons or anti-satellite missile tests would come only when the Soviets conceded something on their offensive nuclear arsenal.

Meanwhile, President Reagan completed negotiating instructions for Mr George Shultz, U.S. Secretary of State, who meets Mr Andrei Gromyko, Soviet Foreign Minister, on January 7 and 8. Page 8.

### Arms call

Although the new round of arms talks between the superpowers offered a glimmer of hope, only radical changes in international relations could bring lasting peace, the Pope told pilgrims in St Peter's Square.

### U.S.-Japan talks

Japanese Premier Yasuhiro Nakasone arrives in Los Angeles today for talks with President Reagan, expected to focus on trade and disarmament. Page 2.

### Hostages taken

Angolan rebels said they seized 22 foreign hostages, in a raid in the north-eastern town of Kafunfo. Page 2.

### Arafat pledge

Palestine Liberation Organisation chairman Yassir Arafat vowed to step up armed struggle against Israel to seek an independent homeland for the Palestinian people.

### Noumea bombs

Three bombs exploded in Noumea, capital of New Caledonia, causing much damage but no injuries, police said.

### Leader shot dead

Gunmen thought to belong to the Basque separatist organisation ETA shot dead a former right-wing leader outside a bar in Azcoitia, Spain.

### Ministers released

Three former Nigerian cabinet ministers were among 144 political detainees released by the military government in Lagos to mark its first year in power.

### Coptic Pope freed

President Hosni Mubarak of Egypt ordered the release of Pope Shenouda III, the spiritual leader of Egypt's 6m Copts, who was stripped of his temporal powers and banished to a desert monastery north-east of Cairo in 1981.

### Peking policy

Chinese leader Deng Xiaoping ruled out any swing from communism under his drive to turn the country into a major economic power in the 21st century.

### Clamp on gems

Guinea banned private exploitation of diamonds and President Lansana Conte said diamond resources would be worked by mixed concerns "so as to guarantee the population's interests."

### Islamic banking

Pakistan began phasing in an Islamic banking system under which banks will be forbidden to charge or pay interest. Page 2.

### Strike halts ferries

French seamen protesting against job cuts halted car ferries in and out of Calais and Dunkirk for the second day. Boulogne remained open.

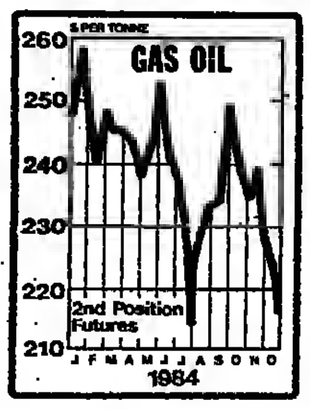
### BUSINESS

## Israel to probe share collapse

THE ISRAELI Government is expected to set up a full judicial inquiry into the 1983 bank share collapse following publication of a scathing investigation by the state comptroller. Page 8

WALL STREET stocks closed higher on New Year's Eve with the Dow Jones industrial average up 7.4 at 1,211.57. This was, however, 3.7 per cent lower than the 1,258.64 recorded on the last day of 1983. Section II

LONDON equities closed 1984 at record levels with the FT Ordinary index up 7.1 at 952.3, for a rise of 22¼ per cent on the year. Government securities, however, were mixed. Section II




GAS OIL futures on the International Petroleum Exchange dipped to the lowest level for five months on Monday. The January delivery position lost $3.25 to $215.875 a tonne. Page 20

INDIAN share prices soared to record levels in unprecedented heavy trading set off by Prime Minister Rajiv Gandhi's landslide election win.

HONG KONG shares ended firm on Monday with the Hang Seng index adding 14.71 to 1,200.38 – 325.44 points higher than its 1983 close. Section II

TURKEY introduced value added tax (VAT) at a basic rate of 10 per cent, replacing a system of production and service taxes.

U.S. CIVIL Aeronautics Board, the federal agency once responsible for setting airline fares and awarding routes, closed its Washington doors for the last time. Page 8

BANK BUMIPUTRA, Malaysia's largest, has replaced five of its six directors. Page 9.

IRVING BANK warned that its earnings for the fourth quarter ended December 31 would suffer by about $4.5m as a result of "irregularities" at its affiliate Banca della Svizzera Italiana. Page 9

BAT INDUSTRIES, the tobacco based conglomerate, has won a five-year court battle in the U.S. to prove that its purchase of Appleton Papers, a specialist paper-maker, for $280m in 1978 did not breach American anti-trust rules. Page 8

TARA MINES, which operates a mine at Navan in the Irish Republic, is to acquire the adjoining ore-body belonging to Bula Mines. Page 9

BAHRAIN MONETARY Agency is extending its surveillance of the financial markets to money changers. Page 9

SKANDINAVISKA Enskilda Banken, Sweden's leading bank, applied for permission to take small minority shareholdings in two other Nordic banks. Page 9

JAPAN'S vehicle manufacturers have been more than able to compensate for import quota restraints imposed in North America and Europe, according to a recent study. Page 2

BRITISH LIVING standards are among the lowest in the industrialised world, according to an OECD study. Page 8

# Fresh import cuts loom in austere Nigerian budget

BY TONY HAWKINS IN LAGOS

MAJOR GENERAL Muhammadu Buhari, the Nigerian head of state, yesterday presented the country's first full budget since the military sized power one year ago.

It foreshadows further substantial import cuts, forecasts higher debt servicing commitments and will continue the austerity programme which has marked the soldiers' administration.

The general, speaking in a New Year's Day broadcast, made no reference to Nigeria'a negotiations with the International Monetary Fund (IMF) for a $2bn loan, deadlocked over the Government's refusal to devalue the naira, which suggests little prospect for an early agreement with the IMF. The Government instead appears to be planning to maintain deflationary domestic policies and further reduce imports at a time when export revenues are likely to decline due to a weak oil market.

Total government spending will rise 13 per cent to N11.3bn ($10.4bn) but this is well behind the inflation rate, estimated at a minimum of 30 per cent, which underlines the austerity nature of the budget since in real terms there will be a marked reduction in public spending.

Maj Gen Buhari said the foreign exchange expenditure budget for 1985 had been pegged at N6bn of which 44 per cent had been earmarked for servicing the country's external debts. This compares with a debt service ratio of 9 per cent in 1982, 17.5 per cent in 1983 and 25 per cent last year.

The Nigerian head of state said exports last year increased 25 per cent to N6.9bn while imports fell 11 per cent to N6.6bn leaving Nigeria with a small trade surplus of N300m. There was a major improvement in the current account of the balance of payments with the deficit being cut from N3.4bn in 1983 to only N126m last year.

For 1985, Maj Gen Buhari is forecasting a 10 per cent decline in export earnings to just over N6bn – while total foreign exchange expenditure will be pegged at N6bn the same target as was set for 1984.

Because Nigeria's debt service payments will rise from N2.6bn in 1984 to an estimated N3.5bn this year, there will have to be further major reductions in imports, already running 30 per cent below 1981 levels.

The general said that in order to avoid further deterioration in Nigeria's foreign debt situation no new external borrowing for new projects would be allowed for 1985. However, external finance will still be forthcoming from the drawing down of existing undisbursed loans.

Maj Gen Buhari said Nigeria's total external loan commitments amounted to just over N19bn at the end of 1984, of which an estimated N4.76bn represented rescheduled open account trade arrears. Of the balance, N9.3bn is federal government obligations and N3.5bn foreign borrowings by state governments.

The head of state said the new military Government had met all its targets of reduced government spending, lower imports and a reduction in the foreign exchange deficit. It had honoured all payments on medium and long-term loans, "appreciable progress" had been made in the refinancing of the trade arrears that accumulated during 1983, and all 1984 imports had been paid for "on a current basis."

"We are paying our debts and we are no longer begging anybody," he added.

Nigeria's real gross national income had fallen by less than 1 per cent in 1984 compared with a revised decline of more than 6 per cent in 1983. There had been an encouraging 2 per cent increase in agriculture's contribution to GNP in 1984 compared with an 8 per cent decline in the previous year. The budget deficit was cut from N6.2bn in 1983 to N3.3bn mainly as a result of lower government capital expenditure.

For 1985 Maj Gen Buhari is forecasting virtually no change in federal government revenue at N6.7bn.

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# Non-life insurers in U.S. suffer heavy loss

By Paul Taylor in New York

THE U.S. property-casualty insurance industry covering general non-life insurance will post a pre-tax operating loss of about $3.55bn in 1984 and a net loss for the first time since 1906, the year of the San Francisco earthquake and fire. This is according to preliminary estimates by the insurance information institute, an industry trade group.

The estimates highlight the continuing plight of the U.S. property and casualty insurance industry mainly caused by exceptional weather-related claims and the lingering effects of a six-year price war among insurers.

While institute officials say it is too early to estimate the industry's aggregate 1984 after-tax loss, it is clear that operating losses will be the worst on record.

Industry experts, however, point out that the composite loss could be reduced by companies using the deficits to reduce deferred taxes on past profits. In 1983 the industry earned $8bn.

Although there have been indications that the bitter pricing war may be ending this is expected to have little impact on earnings until late 1985 at the earliest.

In the meantime the institute and A. M. Best, an independent insurance company rating agency, believe the industry's fourth-quarter results will be particularly hard hit, more than wiping out the $1.09bn in net income posted for the first nine months of last year (1984). This figure was itself a 76 per cent decline on the $4.61bn net income posted for the 1983 first nine months.

Fourth-quarter earnings are thought to have been hit by several factors, including an increase in reserves and the depletion of deferred tax credits.

Mr Charles Clark, the institute's executive vice-president, said that the trade group believes many insurance companies were forced to boost their reserves further in the latest quarter.

The trade group estimates that 1984 underwriting losses grew to about $21bn, against $13.3bn in 1983, investment income increased by just over 6 per cent to $17.3bn from $16bn and the industry's closely watched combined ratio, which measures claims and expenses as a percentage of premiums, worsened to 116 per cent from 112 per cent in 1983.

Premium revenue is estimated to have risen by a modest 7.8 per cent to $114.6bn last year from $106.3bn in 1983, while policyholders' surplus – a cushion against losses – fell by 6.5 per cent to $60bn from $65.6bn.

# Gandhi places own stamp on new Cabinet

BY JOHN ELLIOTT IN NEW DELHI

MR RAJIV GANDHI, India's new Prime Minister, has shown in the formation of his first Cabinet a determination to exercise his personal authority and to try to reform his country's corrupt and cumbersome government machine.

In two significant moves, he has dropped Mr Pranab Mukherjee, the former Finance Minister and sent his personal aide, Mr Arun Nehru, out of his entourage to be Minister of State for Power. Mr Nehru's influence on the new Prime Minister has been a source of some concern in many parts of the country.

He has also given two former top diplomats – Mr Natwar Singh and Mr K. R. Narayanan – junior ministerial jobs in the steel and planning ministries, instead of placing at least one of them in the Foreign Ministry.

Announcing 14 Cabinet Ministers and 25 Ministers of State on Monday, Mr Gandhi stressed that he was looking for "efficiency, integrity, and result-oriented performance."

The choices he has made have indicated to top civil servants and to the ministers themselves that he wants to clean up the administration, fix direct lines of accountability for all ministers and remove suspicions that India is governed by an inner coterie of unaccountable, probably corrupt, friends of the Prime Minister.

This reverses the trend established by Mrs Indira Gandhi, his mother, who was assassinated two months ago. In recent years, all major decisions were taken in her bungalow-cum-office, rather than by ministers who were nominally responsible.

There was always a suspicion that decisions involving major industrial projects were taken only after substantial amounts of money had been paid privately into the coffers of her party, the Congress (I), and to some other ministers and officials.

Mr Gandhi is unlikely to be able to change these practices quickly and some of the people he has appointed still carry reputations with foreign companies for past corruption. But he has made a start.

While apparently anxious to devolve responsibility to individual ministers, Mr Gandhi has kept a large number of portfolios for himself, including external affairs, civil aviation and various technological subjects. He will also keep a temporary hold on the industry and commerce ministries until he has carried out some internal reforms and identified additional cabinet candidates.

**Mr Gandhi's Cabinet is: Mr V. P. Singh, finance; Mr S. B. Chavan, Home; Mr P. V. Narasimha Rao, defence and temporary charge of planning; Mr K. C. Pant, education; Mr Abdul Ghafoor, works and housing; Mr Asoke Sen, law and justice; Mr B. Shankaranand, irrigation and power, Mr Bansi Lal, railways; Mr Bhuta Singh, agriculture and rural development; Mr H. K. L. Bhagat, parliamentary affairs; Mrs Mohsina Kidwai, health and family welfare; Mr Rao Birendra Singh, food and civil supplies; Mr Vasant Sathe, steel, mines and coal; and Mr Veerendra Patil, chemicals and fertilisers.**

The most significant appointment is the new Finance Minister, Mr Vishwanath Partap Singh, aged 53. He was Commerce Minister until he was sent to Uttar Pradesh to head the state's Congress (I) party three months ago and use his influence as a member of the Rajput caste to win votes in the general election.

He is regarded in New Delhi as indisputably the cleanest, most uncorrupt member of any recent Government. As Commerce Minister he is reputed never to have had any contact with the hordes of liaison representatives of foreign companies who seek favours for their clients. His critics say that he is often reluctant to take decisions. His supporters, however, reply that decision-making was not easy for an uncorrupt Commerce Minister when major decisions were taken by the former Prime Minister's inner coterie.

Mr Pranab Mukherjee, aged 49 who he replaces, was part of that coterie and was one of the two senior ministers who might have succeeded Mrs Gandhi as temporary Prime Minister on her assassination. He is widely rumoured to have unsuccessfully offered, a few hours after she died, to back Mr Gandhi for the permanent position if Mr Gandhi backed him as temporary Prime Minister.

Mr Mukherjee had a good record as Finance Minister, presiding over a strengthening economy with liberalised economic controls. But he has no political base in his home state of West Bengal and appears to have smacked too much of the old style of regime for the new Prime Minister.

Suspicions that Mr Gandhi was building his own inner coterie have been challenged by the appointment of Mr Arun Nehru, aged 40, as Minister of State for Power. A for-

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# Britain rules out early cut in N. Sea prices

BY MAURICE SAMUELSON IN LONDON

BRITAIN has ruled out an immediate cut in North Sea oil prices in the new year, which could lead to a price war with members of the Organisation of Petroleum Exporting Countries (Opec).

This was made clear by Mr Alick Buchanan-Smith, Oil Minister, who said that before there was any decision on North Sea prices, the British National Oil Corporation (BNOC) would "first wait to see how the market reacts" to last week's Opec decisions at Geneva.

It would do so when the oil markets reopened in the new year "and especially in the next few weeks," he said in a radio interview.

He was commenting on Monday on the warning by Saudi Arabian Oil Minister Sheikh Zaki al-Yamani that "if there is a price war there will be real chaos in the market."

Mr Buchanan-Smith welcomed the Opec decision to set up a mechanism to monitor its members' adherence to the joint decision to limit Opec output to 16m barrels a day.

He indicated, however, that Britain remained disappointed at the lack of full agreement at Opec on raising the base price of heavier crudes so that they were closer to those of the dearer, light crudes produced from the North Sea.

Britain's disappointment is shared by two Opec members, Nigeria and Algeria, which have also seen their light crudes undercut by the heavier oils produced by other Opec members, especially Saudi Arabia.

While indicating that BNOC would take its time before adjusting North Sea oil prices, Mr Buchanan-Smith ruled out suggestions of Britain "taking on" the Opec oil cartel He pointed out that BNOC "just reacts" to the international oil market.

Although Britain's North Sea output now exceeds that of any Opec country except Saudi Arabia, he minimised its impact on the world oil market, claiming "our production is relatively small."

The high capital cost of oil production in the North Sea meant the circumstances were "very different" from those in Opec countries. "I think that is realised in Opec," he said.

Earlier, BNOC and the UK Government categorically denied a report, attributed to Saudi Arabian sources, that an informal agreement had been made with Opec that North Sea prices would remain unchanged for the time being.

Mr Buchanan-Smith's reference to BNOC studying the market for the first few weeks of 1985 suggested, however, that for the time being, BNOC may behave as though such an agreement does exist.

● Gas oil futures on the International Petroleum Exchange dipped to the lowest level for five months on Monday, reflecting gloom over Opec's proposed price structure. The January delivery position lost $3.25 to $215.875 a tonne. Sterling ended the year at an all-time low of $1.159, down 50 points from Friday, on uncertainty over North Sea oil prices.

# BAT wins anti-trust suit on U.S. takeover

BY CHARLES BATCHELOR IN LONDON

BAT INDUSTRIES, the UK tobacco-based conglomerate, has won a five-year court battle in the U.S. to prove that its purchase of Appleton Papers, a specialist papermaker, for $280m in 1978 did not breach American anti-trust rules.

Fighting the charge brought by the Federal Trade Commission (FTC) cost BAT "several million dollars in legal fees, countless hours of management time and a vast tonnage of paperwork," the company said.

Mr Richard Baker, company solicitor for BAT, said the judgment, in what the FTC had considered a test case, set clear limits to the arguments the commission could use in applying anti-trust rules to takeovers such as BAT's.

The ruling was based on three main factors: It would not have been economically feasible for BAT to export carbonless paper to the U.S.; it was not BAT's corporate policy to set up its own production plant when an existing firm could be acquired; and there was no evidence from internal BAT documents that it was planning to enter the market by any means other than acquisition.

British companies which had contemplated other means of entering the U.S. market shortly before opting for acquisition might face problems with the FTC, Mr Baker said.

BAT views Appleton as one of its most successful acquisitions in recent years and last July sanctioned a further expansion of its business with the purchase, for £82m ($95m) of a paper mill in West Carrollton, Ohio, from P. H. Glatfelter, a Pennsylvania company.

Appleton had operating income of $80 on sales of $465m in 1983.

# Record new issues on London SE

By Alison Hogan in London

THE LONDON stock market has had a record year, with more than £10bn ($11.6bn) raised in new issues in the capital markets.

The amount of money raised last year in sterling by listed companies and local authorities in marketable securities totalled £8.1bn, 50 per cent higher than any previous figures.

December proved a bumper month with the sale of British Telecom contributing £1.506bn to the total of £1.994bn new sterling money raised.

According to Samuel Montagu, the UK merchant bank which compiled the statistics, "The new money figures, excluding British Telecom of £488.4m, reflects continued optimism in the economy for the coming year."



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# OVERSEAS NEWS

## Robust forecast for U.S. industry

BY NANCY DUNNE IN WASHINGTON

MOST U.S. industries will do well in the new year, with high-technology companies and makers of the defence-related aerospace industry doing best, according to the Government's annual industrial outlook report.

The Commerce Department tempered its mostly optimistic assessment of 350 U.S. industries, however, by predicting that the rate of growth for *three quarters* of them will drop below 1984 levels as the economic recovery loses some steam.

"The forecast growth rates, though modest in comparison with 1984, still will exceed historical rates for about 70 per cent of the manufacturing industries," the report said.

The Commerce Department assumed that the national economy will expand 4.3 per cent after inflation in 1985, down from the 6.7 per cent last year but still making healthy gains.

This is the year, according to the report, that the nation's basic industries such as iron, steel and other *heavy metals, will finally begin* sharing in the current U.S. prosperity. Primary lead, aluminium and iron and steel will enjoy growth rates of 28 per cent, 15.6 per cent and 13.6 per cent respectively.

With or without a renewal of the current restraints on Japanese imports, the U.S. auto industry is expected to do well. Motor vehicles and parts are expected to achieve a 12.3 per cent gain in 1985.

The seven industries with the highest predicted growth are all in the high-technology sector. Semiconductors, long the growth leader, are expected to show a 37.4 per cent growth in 1985 with a 15 per cent annual growth predicted through 1989.

Other high-growth segments include electronic connectors, electronic components, X-ray and electro-medical equipment, computers, radio and television communications equipment – and reprographic *platemaking* services.

Mr Lionel H. Olmer, Under-Secretary of Commerce, said in a briefing on the report that a reversal was underway in the trend of American high-technology manufacturers moving plants offshore. He also referred to the growth of the U.S. service industries as "the place in which new jobs are created."

The report listed five "problem industries" – paperboard boxes, brick and structured clay tile, pressed and moulded pulp goods, turbines and turbine generator sets and rubber and plastic footwear. These have had a record of steady decline since 1972 and show poor prospects *through the end of the decade.*

## Lebanese army to guard highway

By Nora Boustany in Beirut

THE LEBANESE army is to deploy along the coastal highway up to Israeli lines in south Lebanon, according to a timetable drawn up on New Year's Eve and which is scheduled to begin today.

The first stage of the two-phase plan is to be carried out by the internal security force, or Lebanese gendarmes, who will clear barricades, supervise the dismantling of mines between warring factions and the withdrawal of militiamen.

The second phase, set for next Monday, calls for the deployment of some 1,000 army regulars south of Beirut and in the Iqlim al Kharroub region, scene of Druze-Christian fighting for many months.

The Lebanese Government has sought without success so far to position the Lebanese army north and south of the capital, leading to Israeli *lines on the Awali River.* The reasoning for the deployment of Lebanese soldiers is to assure the Israelis, concerned about security of their northern border, that the army could assume an effective role in south Lebanon following an Israeli withdrawal.

Reservations by the Christian militias, the Lebanese forces, and the Druze fighters of the Progressive Socialist Party have so far prevented the Lebanese state from exhibiting its ability to govern outside the Greater Beirut area.

Continued fighting between Druze and Christian militias in the hills east of Beirut and the contested Iqlim al Kharroub region in the *southern Chouf has undermined* Syrian-sponsored government efforts to get the security plan on its feet, let alone ensure agreement on it.

Experiments for an extension of *government control through the* Lebanese army outside Beirut have been disappointing in the past year.

Lebanese officials fear that further stalling of the plan and the lack of progress in military talks with Israel for an ordered withdrawal from south Lebanon, will lead to a unilateral Israeli withdrawal or redeployment that could trigger sectarian hostilities.

Lebanese and Israeli military teams are to resume negotiations in Naqoura under United Nations sponsorship on January 7.

### REAGAN MEETS NAKASONE

## U.S. tries to find a gentle way to get tough with an old friend

"HOW CAN I get tough with a very good friend?" President Ronald Reagan asked just before Christmas in response to a reporter's question about today's meeting in California with Prime Minister Yasuhiro Nakasone of Japan, writes Stewart Fleming in Washington.

It seemed a typical Reagan one-liner but it betrayed the intense pressures building up within his Administration about relations with Japan.

As the Prime Minister's visit loomed, U.S. officials have been debating intensively just that question: How can the U.S. get tough with a very good friend.

On one hand Japan is the keystone around which the U.S. is building the security of the Pacific Basin, a region which has assumed a foreign policy at least equal to Western Europe.

On the other hand the foreign policy harmony between the world's two leading industrial nations contrasts sharply with serious tensions in trade relations.

"Get tougher" is the advice which Mr Reagan has been getting from trade officials

American industry, led by influential executives such as *Mr Lee Morgan* of Caterpillar Tractor who was instrumental in getting this year's agreement on the liberalisation of yen financial markets on Washington's agenda, is hoping for action to cut the anticipated *\$130bn (£112bn)* U.S. global trade deficit this year.

The fact that \$33bn of that deficit is with Japan, whose competitive challenge is increasingly feared, has made trade relations with Japan a sensitive topic.

Japan can argue, however, that the trade problem is to a considerable extent the result of rapid U.S. economic growth and the strong dollar. Both factors can be traced to America's ill-conceived fiscal policy and the enormous Federal budget deficit.

U.S. trade officials have been arguing nonetheless that the bilateral trade deficit also reflects the inability of U.S. competitive companies to enter Japanese markets.

Mr Lionel Olmer, Under Secretary of Commerce for International Trade, has urged Japan to make increased imports a national goal. Trade officials' list of priorities for opening up the Japanese markets, include telecommunications, cigarettes, pulp and paper and petrochemicals.

But some trade officials concede ruefully that perhaps the best they can hope for today is that Mr Reagan will make clear to Mr Nakasone that the trade issue needs to be addressed more forcefully by the Japanese.

Trade officials expectations are pitched low, partly because it *is* expected Mr Reagan and Mr Nakasone will spend little of their two and a half hour meeting on trade issues. Both leaders are perceived to be much more interested in security and strategic issues.

The leaders have an excellent personal relationship and foreign policy officials are determined to prevent trade tensions casting a pall over wider aspects. But the bilateral trade picture is so grim. Mr Nakasone is likely to be urged to help the second Reagan Administration make more progress on controversial trade topics than the first Reagan Administration did.

## Trade strains Ron and Yasu

TO JAPANESE eyes, it is a matter of relief, even pride, when a *Prime Minister gets* on well with an American President, because the relationship transcends all others, *Jurek Martin writes from Tokyo.* Thus the fact that Mr Yasuhiro Nakasone is on "Ron-Yasu" terms with *President Reagan is* an achievement.

But Mr Nakasone is about to find out how much this personal rapport is worth. It is widely believed on both sides of the Pacific that U.S.-Japan relations are about to enter a rough passage, mostly over perennial commercial disputes. Japan, inevitably is largely on the defensive.

Having the President's ear is not the ace of trumps because the positions of the two leaders have subtly changed.

Both men had sought to help the other's re-election; Mr Reagan, in particular, had called a late spring truce in the U.S. attempt to extract further financial and commercial reforms from Japan for fear that continuation might hurt *Mr Nakasone.*

An additional concern for Tokyo is who really makes policy in Washington, particularly on trade issues.

It appears that Mr Reagan is increasingly distancing himself from the substance of policy, yet Messrs Shultz, Regan, Baldrige or Brock denounce Japanese practices in terms which, Japan knows full well, find plenty of echoes in Congress. It found dealing with one uncontrolled underling, Dr Beryl Sprinkel of the Treasury, distasteful in the extreme and does not relish too many return engagements.

Nervousness is compounded by the feeling that Mr Nakasone is no longer the decisive leader from whom the U.S. had come to expect so much. The Prime Minister seems to have paid a heavy political price for the privilege of serving a second term is and more hemmed in by potential rivals and quarelling factional interests. Indeed, failure to contain U.S. pressure could render him even less secure.

There is also a growing sense, in Japanese Government and industry, that much more cannot reasonably be asked of Japan. There have been five market opening packages in three years and a major liberalisation of the financial system is under way.

On the broader geo-political front, there is much more that unites the two countries than *divides.* Mr Nakasone *will* be happy to discourse of Japan's burgeoning relations with China, on further relaxation of tension on the Korean Peninsula, on his support and understanding for the U.S. in the up-coming talks with the Soviet Union and on the emerging issue of the Pacific nuclear-free zone.

Ironically, the two men will pledge themselves to free trade and a new Gatt (General Agreement on Tariffs and Trade) multilateral round.

## Lee Kuan Yew chooses possible successor

BY CHRIS SHERWELL IN SINGAPORE

MR GOH CHOK TONG, Singapore's Defence Minister, has been chosen as the most likely *successor* to Prime Minister Lee Kuan Yew in the new Cabinet announced this week following the island state's December 22 general election.

Mr Goh, 43, was named First Deputy Prime Minister in the *new line-up* and will retain his defence portfolio. He succeeds Dr Goh Keng Swee, who has retired from politics.

Mr Ong Teng Cheong, another second-generation leader also in his 40s, was named Second Deputy Prime Minister, replacing Mr Sinnathamby Rajaratnam, an old-guard figure who is expected to retire before the next election and now holds the title of Senior Minister in the Prime Minister's Office.

Announcing the changes, which reflect the further ascendancy of Singapore's younger leaders, Mr Goh spoke of the Government's disappointment at the sharp electoral swing against the PAP, which for the first time in two decades was denied a clean sweep of all.

Using a football analogy to describe his elevated position, Mr Goh said he was the new *team's centre-forward* or *striker* while Mr Lee, who says he will retire in four years' time, was the goalkeeper.

Mr Lee's son, Brig-Gen Lee Hsien Loong, who was elected to parliament for the first time, was given two junior ministerships in defence and in trade and industry, while Dr Richard Hu, newly elected at 58, will become Finance Minister in April taking over from Dr Tony Tan after this year's budget.

## Angolan hostages face long march to rebel's base

BY OUR LISBON CORRESPONDENT

ANTI-GOVERNMENT rebels in Angola have said that 22 foreign hostages seized on Monday in a raid on the diamond mining centre of Kafunfo will be marched hundreds of miles through the bush to rebel bases in the south-east of the country.

The hostages, who include three Britons and two U.S. pilots of a transport aircraft, were seized when members of the Unita guerrilla movement led by Dr Jonas Savimbi attacked the town on Saturday, holding it briefly before withdrawing with the captives on Sunday afternoon.

Unita named the Britons as Alen Michael, Glen Foreman and Paul Huggins.

In a statement issued in Lisbon, Unita claimed that their anti-aircraft fire disabled a Hercules C-130 aircraft as it landed at Kafunfo during a two-hour battle for the town in which 150 Government troops were said to have been killed.

In February last year Unita carried out a similar operation, capturing 77 foreigners, including 16 Britons, who were released at the guerrilla's southern headquarters of Jamba after 79 days in captivity.

In his New Year message the Angolan head of state, President Eduardo dos Santos, made no reference to the kidnapping, but categorically rejected any *negotiations with Unita on the* possibility of a coalition.

The latest actions appears to be intended to emphasise Unita's demand for a say in the complex negotiations for the independence of neighbouring *Namibia.*

## Bhopal victims stage demo

BHOPAL – More than 7,000 victims of last month's gas leak at the Union Carbide plant in Bhopal, India, blocked traffic for six hours yesterday to protest against delays in welfare payments from the authorities.

The demonstrators marched from the factory where the leak occurred into the centre of Bhopal, where they halted traffic.

"I prefer to die by sitting here rather than die at home without help," said Gafoor, one of the demonstrators. He *said* he and *many* others were unfit for work because of injuries sustained after inhaling the gas.

Official aid to the victims was suspended last week pending an investigation into who was eligible for it.

Mr Ranjeet Singh, a senior city official, told a group of demonstrators that payments would resume tomorrow because the investigation had now been completed, one of the group said.

## Islamic banking begins

KARACHI – Pakistan started phasing in a new Islamic banking system yesterday under which banks will be forbidden to charge or pay interest.

The new interest-free system, ordered by President Mohammad Zia-*ul Haq as part of his Islamisation* campaign, will initially apply only to the corporate sector. But by June the ban will spread to all banks, the State Bank of Pakistan said.

"The domestic operations of the *banking system in the country will* be cleansed of interest by the end of June 1985," said Mr A Kazin governor of the bank.

The Koran, sacred book of Moslems, forbids acceptance or payments of interest and says anybody charging or paying interest will go to Hell.

Instead of receiving interest, bank depositors will share in the profits or losses of the banks.

Borrowers will not pay interest in the conventional sense but will be subject to service charges and various other charges Reuter

# WORLD TRADE NEWS

## Japanese set to increase lead as world's biggest car producer

BY JOHN GRIFFITHS

JAPANESE VEHICLE manufacturers have been more than able to compensate for import quota restraints imposed in North America and Europe, according to the latest study from London-based Automotive Research and Management Consultants*.

Some relaxation in the restraints during 1984, coupled with "a probable average cost advantage in the U.S. of \$1,500-\$2,000 (£1,293-£1,724) per car over comparable American vehicles," is allowing Japanese makers to subsidise sales on their fiercely competitive domestic market and increase profitability "far in excess of sales growth."

Thus, the study points out, mainly because of these factors, Toyota expects profits in the current financial year to increase by 14 per cent, compared with sales growth of 9 per cent, while Nissan expects to boost profits by at least one third on turnover up by only 5 per cent.

Mitsubishi, it says, is the most optimistic of all—projecting a 40 per cent increase in profits for the year ending in March.

Continued growth in demand in both domestic and export markets should see Japanese production of cars and commercial vehicles reach 11.9m units this year, compared with an estimated 11.5m in 1984. In 1986, concludes the study, it should "break through the 12m barrier to 12.21m units," thus increasing its lead as the world's biggest vehicle producer.

Additionally, the study forecasts that the export of kits for assembly overseas could reach 1m in 1986, compared with 787,883 in 1983.

It suggests, however, that even the ending of voluntary export restraints in unlikely to see the Japanese aiming for significantly greater markets in North America or Europe, for fear of re-arousing protectionist animosities.

Instead, the increasing number of joint ventures with U.S. and European manufacturers (such as Honda's with Austin Rover) would increase Japanese makers' profits even though export volumes would not reflect the added turnover expected by the sale of engines, transmissions and other parts for incorporation in U.S.- and European-built models.

The study forecasts a slight increase, of 3.2 per cent, in European car output to 10.8m *units this* year, and a *further* 2 per cent increase, to 11m, in 1986.

It expects a slightly larger increase in European commercial vehicle output, of 3.4 per cent to 1.21m units, after several years of shrinkage, followed by a 2.3 per cent increase in 1986.

North American car output this year is forecast to rise by 4.1 per cent to 9.42m, followed by a 1.8 per cent fall in 1986.

The study predicts two years of growth for North American commercial vehicles output, up 6.2 per cent this year to 4.3m, followed by a 3.5 per cent rise to 4.45m in 1986.

* *International Automotive Review, 3rd quarter 1984. Automotive Research and Management* Consultants, *Lynton House, 7-12 Tavistock Square, London WC1 H9QJ.*



## Soviet trade with West in surplus

THE Soviet Union had a \$2bn (£1.7bn) surplus in visible trade with the West in the first nine months of 1984 compared with a deficit of \$365m for that period last year, according to official figures, Reuter reports from Moscow.

Statistics published in the latest issue of the Foreign Trade Ministry magazine showed Moscow's deficit with the U.S. almost doubled in the period, compared with the first nine months of 1983.

But this was easily outweighed by a big improvement in its visible trade balance with Japan and the European Community.

Overall Soviet trade grew by almost 8 per cent, totalling \$118bn in the first nine months.

Energy products accounted for 55 per cent of Soviet exports, while 38 per cent of imports were machinery, equipment and vehicles and 23 per cent food.

The biggest change shown by the figures was in Soviet trade with Gulf war combatants Iran and Iraq. Soviet-Iranian trade doubled in the period compared with January-September 1983 while trade with Iran fell to less than half the previous figure.

## New Zealand barter deal with Poland

NEW ZEALAND has negotiated a barter deal with Poland involving 18,000 tons of lamb in return for Polish heavy industrial equipment. The deal is worth NZ\$40m (£16m), Dai Hayward reports from Wellington.

An earlier shipment of 600 tons of lamb was paid for with Polish mining equipment.

The heavy industrial equipment will be sold to third *markets.*

Last month New Zealand negotiated a NZ\$300m oil-for-lamb deal with Iran. This involves 130,000 tons of lamb in exchange for 6m barrels of oil.

## Hungary lifts import restrictions

Selective import restrictions, imposed by Hungary in September, 1982, in an effort to *offset deteriorating terms* of trade, were set to be lifted yesterday Mr Peter Veress, the Foreign Trade Minister announced on Monday, AP-DJ reports from Budapest.

## Gibraltar dockyards go commercial

BY ANDREW FISHER, SHIPPING CORRESPONDENT

HAVING SERVED the Royal Navy for nearly 80 years, the Gibraltar dockyard moved into the tough world of commercial shiprepair over the New Year.

*Just after* the *British Navy* pulled out, the first merchant ship — the Greek-owned Irenes Fantasy, a bulk carrier of 20,000 deadweight tonnes — sailed in yesterday.

The yard's new name is *Gibraltar* Shiprepair, or Gibrepair for short. It was handed over by the Ministry of Defence to the colony's Government as the new owner on December 31.

Managing the yard will be the UK maritime consultants, *A & P* Appledore, who already run three repair yards in Dubai, Greece and Sabah (Malaysia), and have helped a number of countries, including South Korea, to build up shipbuilding industries.

The UK Government has provided £28m for capital investment in the yard and to cover the first few years' expected losses.

Some £14m of work on naval auxiliary ships has also been promised for the *first* three years to ease the transition through what Mr Peter Nash, Appledore's chairman, called "the psychological shock of having to compete in the big wide world of international shipping."

Initially, the yard is employing about 500 people, half the workforce under naval ownership. But this will rise to 800 later this year. More efficient working practices have also been agreed.

It was three and a half years ago that the Government said it would close the Chatham dockyard in Kent and the facility at Gibraltar. The dockyards — Devonport in south-west England and Rosyth in Scotland remain — were costing more than £400m a year.

The British Government did not have a smooth ride in its plans to move out of the *Gibraltar yard. Because* of local trade union opposition, the handover was postponed for a year.

Gibrepair has now agreed with the local branch of the Transport and General Workers' Union on a package which includes a three-year agreement not to take industrial action while dispute procedures are under way.

Mr Brian Abbott, the managing director of Gibrepair, reckons the refurbished yard—now able to take ships of up to 70,000 deadweight tons—was in a key position to pick up business.

Like Singapore, he said, it is on a busy crossroads of world shipping. About one in six of the world's 30,0000 or so cargo-carrying ships go through the Straits of Gibraltar at the edge of the Mediterranean every three months.

These ships need to put in somewhere for repairs about every 18 months, he noted. "We are confident that the yard has the ingredients for success."

As well as dealing with small- to medium-sized tankers, bulk carriers, general cargo, and container and roll-on/roll-off vessels, Gibrepair will also be seeking repair work on large yachts to be carried out at Gun Wharf near the main yard.

According to Mr Nash, turnover of Gibrepair should total some \$30m (£26m) a year, once work is in full swing. Around £17m of the UK Government's grant is being spent on modernising the yard.

Two of the three drydocks are now ready, and the full refurbishment will be finihsed in August.

## Snag hits U.S.-EEC talks on pipe imports quota

BY NANCY DUNNE IN WASHINGTON AND PAUL CHEESERIGHT IN BRUSSELS

U.S. AND EEC negotiations over steel pipe and tube import controls have hit a snag, according to U.S. officials.

Both countries had hoped for a finial agreement by the New Year after the Community accepted last week a 7.6 per cent limit on U.S. imports of its pipes and tubes.

The sole exception to the quota would be if U.S. producers fail to meet demand.

The U.S. has yet to respond to the EEC's offer, although officials from both sides have had informal contacts.

Problems have arisen, however, over the disposition of EEC pipes and tubes in U.S. Customs' warehouses since the Reagan Administration slapped a unilateral embargo on them on November 29.

The ban *was imposed after* EEC imports of the products rose to 14.6 per cent of the U.S. market.

The U.S. has announced that the stored steel, estimated at between 100,000 and 150,000 tonnes, would have to be licensed or certified by the EEC before it can be released. It wants the steel included in the 1985 quota.

The Commission believes that the disposal of stocks in U.S. warehouses is a problem only if the Americans want to make it one.

The EEC will take its responsibility for restraint in 1985 through the issue of export licences. The stocks relate to the period before the restraint agreement comes into force, it is pointed out in Brussels, and are therefore not an EEC but a U.S. responsibility.

Washington officials believe the issues under dispute can be resolved by the end of the week.

● The Commerce Department has imposed preliminary penalty duties on certain *Spanish and Brazilian producers* ruled to be dumping steel pipe in the U.S. AP-DJ reports from Washington.

The department imposed duties, for example, of 49.69 per cent on imports of tight-walled *rectangular welded carbon steel* pipes and tubes produced by Perfil en Frio and Construcciones y Derivados both of Spain.

Separately, the department made a preliminary determination that Apolo Productos de Arco of Brazil, was dumping steel pipe in the U.S. A preliminary penalty duty will be 3.23 per cent with a final determination scheduled for March 11.

## Major export drive by Finnish telecom group

BY LANCE KEYWORTH IN HELSINKI

MOBIRA, the Finnish telecommunications group is embarking on a major export drive to strengthen its claim as the world's leading manufacturer of equipment for automatic mobile telephone systems.

A member of the Nokia group, it has a 20 per cent share of the Integrated Nordic Mobile Telephone System (NMT) network in Scandinavia. In Britain it has a 60 per cent share of the System-4 market. System-4 is British Telecom's cellular radio regional transmitter system.

The company recently announced the formation of a British subsidiary, Mobira. The plant is to be established by mid-1985 in Cambridge and will place Mobira in a strong position when a derivative System-5 technology comes on stream sometime in 1985.

The Finnish company has already contracted to supply System-5 equipment to both the *networks licensed under the* British Telecom privatisation project—Telecom Securicor Cellular Radio (TSCR) and Racal's Vodafone.

Mr Jorma Nieminen, managing director of Mobira, said in a recent interview: "Our sales should double next year, largely due to the expansion of the UK market."

The group's turnover in 1983 was FM 215m (\$33m), up 58 per cent on a year earlier. Sales for 1984 are expected to expand further.

Penetration of the U.S. market, the second thrust of Mobira's export drive, promises to be even more dramatic. It is aiming for a 20 per cent share of a market that in 1986-87 is expected to top \$1bn.

FINANCIAL TIMES, USPS No. 190640 published daily except Sundays and holidays. U.S. subscription rates \$420.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

# NCB prepared for increased return to work

BY BRIAN GROOM, LABOUR STAFF

MR ARTHUR SCARGILL, president of the National Unioo of Mineworkers (NUM) took his 10-month-old dispute over pit closures into the new year yesterday with a rallying cry from a picket line in South Yorkshire. He said that he was more confident than ever of winning.

Pits in England and Wales are due to reopen today after the Christmas break, the remainder remain officially closed until next Monday.

National Coal Board (NCB) officials claim to have indentified increased interest among miners in returning to work, and are cautiously optimistic that more are now prepared to overcome the "bravery barrier" and cross picket lines.

That increased interest has been shown by telephone calls by miners to their managers asking for information about transport arrangements. It remains to be seen whether it results in an accelerated drift back.

Results of the latest publicity campaign by the NCB to increase the rate of return to the pits will emerge over the next two weeks. Absenteeism is traditionally high after Christmas and little importance will be attached to attendance figures until next Monday.

The NCB claims that 70,000 of the NUM's 189,000 members are now not on strike, and bopes that figure will edge up towards balf. The NUM says more than 140,000 are still on strike.

There is a feeling in some parts of the NCB that negotiations might be possible within six to eight weeks, despite the insisteoce by the Government and the NCB that no more talks will take place until the *NUM drops its opposition to any* pit closures on economic grounds.

Stockbrokers Simon and Coates estimated yesterday that the cost of the strike to the public sector borrowing requirement and the current account bad risen to £80-£85m in gross terms, compared with an average £80m a week up to the end of August.

This is because of the cost of burning extra oil instead of coal in power stations in the winter which, the brokers estimate, is running at a minimum of £40m a week compared with about £20m in mid-September.

They estimate that the total cost of the strike up to the end of 1984 was £2.4bn, of whicb £1.8bn was the cash cost. They add: "On the balance of trade, the extra oil burn, and lost coal exports, are probably now costing £350m a month, compared with £240m in mid-summer."

# Business failures rate up 9.5% last year

FINANCIAL TIMES REPORTER

A RECORD number of businesses failed in 1984. Company liquidotions in England and Wales reached 13,647, an increase of 9.5 per cent while personal bankruptcies rose by 17.8 per cent to 8,035.

"Though the total is higher, the rate of failure appears to be slowing down," Mr John Dawson of Dun & Bradstreet, the business information company, said. "With an estimated 230,000 new business start-ups during 1984, the net gain of business births over deaths is increasing."

The 9.5 per cent increase in company liquidations last year compares with a 35.2 per cent increase between 1981 and 1982. Worst hit industries were retailing, the motor trades, building and construction, engineering and textiles. These five business sectors accounted for 67 per cent of all company liquidations, with retail hardest hit with more than a quarter of the total.

"It is one of the easier businesses to set up in and suffers a very high failure rate," Mr Dawson said. Retail failures increased by 24.2 per cent in 1984 to 3,747.

# Cabinet fury over Churchill's secret Soviet plan

**Cabinet papers just released for publication show the Tory Cabinet of 30 years ago agonised over the H-bomb, immigration and a single-handed attempt by Winston Churchill to arrange talks with Mr Malenkov, the Soviet leader. John Hunt reports.**

*BRITISH CABINET* documents for the year 1954 reveal a furious row behind-the-scenes over a secret attempt by the theo Tory Prime Minister, Mr Winston Churchill, to arrange a bilateral meeting between himself and the Soviet leader Mr Malenkov.

The documents have just been released under a ruling whicb keeps Cabioet papers confidential for 30 years. They show that Churcbill's manoeuvre produced a Cabinet argument lasting several weeks. It reacbed such a pitch that the Marquis of Salisbury, then a figure of great influence in the Conservative Government, threatened to resign if Churchill went ahead with the plan.

Without consulting his Cabinet colleagues Churchill bad sent a personal letter to Mr Molotov, the Soviet Foreign Secretary proposing a meeting with Malenkov. President Eisenhower was furious that the U.S. bad not beeo consulted, particularly as the initiative came in the middle of the Geneva conference wbere the great powers were trying to settle the war between the French and the Communists in Indo China.

The ageing Churchill had suffered a major stroke the previous year and his powers were in decline. There were mutterings within the Conservative Party for his resignation. His Cabinet colleagues angrily "ganged up" on him wben they beard about his personal initiative. At first be was grumpily apologetic but later truculently insisted that the meeting sbould still go ahead.

*Ministers protested that he was* breaching the *rule* of collective Cabinet responsibility and that a major constitutional issue was at stake.

Churchill got off the book wben the Soviet Union proposed a meeting of *all European beads of government* to discuss collective security. This was takeo as an excuse for dropping Churchill's original proposal.

Other papers show that the decision that Britain sbould produce its own bydrogen bomb was taken in great secrecy and with considerable hand-wringing aboul the effecf it would bave on public opinion.

The debate in Cabinet was very simplistic with Churchill taking a bawkish line. If Britain was to maintain its influenre as a world power it would bave to bave the most up-to-date nuclear weapons, be argued. Britain bad to make it clear to potential aggressors that they would suffer a crushing retaliatory nuclear response.

*The decision to go ahead was taken* on July 26 after only a brief discussion. Churchill emphasised that careful thought would have to be given to the publicity aspects. In December there was consternation in the Cabinet when it was discovered that the BBC was planning a television programme on the H-bomb. The discussion gives a fascioating insight into the proprietorial attitude of the government towards the corporation.

At the Governmeot's bebest, the cbairman of the Atomic Energy Authority got an undertaking from the BBC director general that the programme would be presented "responsibly" and would be "free of political bias." Only "reputable scientists" would be consulted.

*Despite this, ministers were still* uneasy and it was decided that a "responsible mioister" sbould give further guidance to the BBC. Il was emphasised that the Governmeot must retain cootrol over the form and timing of publicity on the effects of thermo-nuclear weapons.

It was felt that il was "cootrary to the public interest" that the BBC should give publicity to the issue before the Government bad completed its own publicity campaign.

There was also much agonised discussion in the Cabinet about the growing number of coloured immigrants, particularly from the West Indies. But ministers did not wanl the debate made public for fear of controversy.

On February 3 the Home Secretary, Sir David Maxwell Fyfe, said there was already evidence of some racial feeling in districts of higb immigration including London, Liverpool and Manchester.

Churchill said that improved communications were likely to lead to a cootinuing increase in the oumber *of coloured people coming* in to Britain and "their presence here would sooner or later come to be resented by a large section of British people."

In November Major Gwilym Lloyd-George, Home Secretary, reported a greatly increased rate of immigratioo and said that "the gathering momentum of this movement made it a matter of some urgeocy that the Government should provide a means of controlling it." It was agreed that this had to be done in such a way as to reduce the scope for controversy.

In December, the Home Secretary was instructed to examine possible changes in the law and it was felt that there was in the country "a surprisiogly wide body of opinion in favour of immediate action."

# Arms factories move towards flotation

*BY JOAN GRAY*

ROYAL ORDNANCE Factories, which bave made defence equipment for the Government for almost 450 years, become a private company today under the name Royal Ordnance plc.

Mr Michael Heseltine Secretary of State for Defence, will be the sole sbareholder at first, althougb the move is the first step towards privatisation within the next two years.

No date has yet been set for privatisation, which it is estimated could bring in as mucb as £350m. Other organisations, particularly Britisb Airways, are due to be floated first. The Government is also still deciding sucb details of the proposed Royal Ordnance flotation as the method of ensuring that the company does not fall under foreign control.

Royal Ordnance plc bas four divisions – ammunition, explosives, small arms and weapons and fighting vehicles. It employs a total of 18,000 people at 16 manufacturing sites lo Britain.

Commenting on the significanre of the move, Royal Ordnance chairman Mr Fred Clarke said: "Il is our intention that the company will become a powerful force amongst Britain's defence companies, competing and collaborating with *defence contractors worldwide*."

Royal Ordnance won its third Queen's Award for Export Achievement in 1984. Present overseas joint developments include a 155mm international turret with BMY in the U.S., the 105mm low recoil force *gun* on the *Cadillac* Stingray, and a vehicle intercom system with E Systems, also both in the U.S.

In Egypt, the company is working on the installation of the 105mm gun on a Soviet-built T55 tank.

In December, Royal Ordnance and Thorn EMI jointly woo an £85m order from the Ministry of Defence for electronic artillery fuses for the British Army. The fuse had been developed by Thorn EMI and the Royal Ordoance Factory in Blackburn, Lancashire, and will be produced by the Thorn EMI Electronics factory at Hayes, Middlesex, and Royal Ordnance, Blackburn.

# Airline must drop cut-price New York fare

By Alan Pike

BRITISH AIRWAYS has been refused permissioo to offer a £259 late-saver return fare between London and New York – lts busiest transatlantic route – this winter. Late-saver fares are aimed at passengers whn are able to book their tickets within three days of departure.

The airline said yesterday that the Civil Aviation Anthority (CAA) had rejected the fares even thougb they had "been declared economic by the British authorities and had twice been approved by the U.S. authorities."

British Airways will be able to offer an early-saver return fare of £259 to New York – a cut of £40. But these tickets must be booked 21 days in advance. The airline flies to 11 other U.S. destinations for which the CAA has approved late-saver fares.

It began offering the new late-saver fares to passengers yesterday, and the early-savers will be available for travel from February 1. Apart from New York, early-saver reductions will include Baltimore £284 (£340), Philadelphia £274 (£334) and Los Angeles £298 (£420).

# Life premium income holds up despite ending of tax relief

BY ERIC SHORT

LIFE COMPANIES operating io the UK are reporting another good year in 1984 for new business, despite the continuing recession and the ending of tax relief on life assurance in last year's budget.

When Mr Nigel Lawson, the Chancellor of the Exchequer eoded Life Assurance Premium Relief (LAPR), which bad been available for more than a century, many analysts fell that life company new business would nose-dive. New business figures from the Prudential Corporation, Britain's largest life company, and others sbow thal these fears were unfounded.

Prudential Assurance reported oew annual premiums last year of £99m, *only 2.3 per cenl down on* 1983's record £101.3m of annual premiums.

Admittedly the Pru's life sales last year dropped because of the ending of LAPR, its mortgage-related business falling by a third to £15m and its other conventional life business by a fifth to £37.5m. But this was almost offset by a strong surge in sales of pension contracts to the self-employed where new annual premiums rose more than 50 per cent *to* £38.2m.

Indeed, the reaction of all life assurance intermediaries to the ending of LAPR was to switch their marketing efforts to the pensions field, where the tax reliefs are still available.

# Hyundai lifts car prices by 8%

BY JOHN GRIFFITHS

ONE OF the biggest single price increases to be imposed by any car manufacturer or importer for several years was announced yesterday for Hyundai cars and light commercial vehicles. The increase averages 8 per rent and is effective immediately oo 1985 model vehicles.

Hyundai Car Distributors (UK), part of International Motors which also imports Subaru vehicles from Japan, blamed the sbarp decline in sterling against the dollar for the increase on Hyundai models, which are built in South Korea.

A company spokesman said that prices oo some models, such as the Pony hatchback range had beeo unchanged for almost two years. He said a oumber of model improvements were included in the price increases.

Low price bas been a key ingredient to the marketing of cars from Hyundai, whicb used to assemble the Ford Cortina in Korea. Wheo it launched its Stellar medium saloon, a model it billed as the "true successor" to the Cortina, in the UK last year, the company was unable to keep up with demand for a vehicle which was selling for up to £1,500 less than Immediate rivals.

As the result of the increase, the price of the top-of-the-range Stellar 1600 GSL bas risen from £5,497 to £5,999, tocluding taxes.

UK sales of Hyundai cars reached just under 7,000 in 1984

## BUSINESS LAW

# New vigour born of adversities

By A. H. HERMANN, Legal Correspondent

THE ONLY consolation one cao derive from a review nf the past year is that once the rot came out for atl to see, the long needed refnrm became a political necessity. Many cherished illusions were shaken nff like autumn leaves, and autumn is the time when nature prepares for the glory nf the spring. But the gardener must not remain idle.

A daily dose nf picket line *violence delivered* to lbe homes nf a populatinn brought up in the belief that "it can never happen here" made it nbvious that nnly hatred and frustration are the result of a miners strike is treated like a pmtracted rugby match between pickets and police.

In the end the courts proved much more effective by impounding nr threatening funds fnr financing intimidation as an alternative to ballnt. Much bitterness could have been avoided if the processes nf law hod been used right from the beginning Instead of mobilising battalions of police.

However traumatic the experience, the defiance nf the law by politicians whose ideal is a Soviet-type economy is more nnderstandable than lawlessness nn the part of those who not only profess their belief in a democratic market economy but also derive great personal benefit from its existence. Yet much of such lawlessness has been revealed during the past year.

After protesting for decades that it is in complete control of the ethics of the profession and able tn guarantee o legal service without blame and reproach, the Law Society was forced by a High Court judge to admit that it had been for many years covering up a blatant dereliction of duty, to say the least, by one of its prominent members. This has also put into a new perspective the society's perennial refusal to help clients who have suffered by solicitors' mere negligence, as opposed to fraud.

The revelation obliged the society to propose a timid reform of its procedures. This will hardly be enough to restore public confidence in the profession. It would be [illegible] to admit that the Law Society is a trade union of [illegible] and cannot act also as their supervisory body.

*Mutatis mutandis* the same applies to a number nf City institutions. The most scandalous aspect of the [illegible]ance scandals at Lloyds has been that the culprits can claim that the pocketing of reinsurance premlums was a perfectly normal practice and that no one was aware of doing anything wrong.

This ethos, if one may call it so, militates against leaving any supervisory function in the hands nf those imbued by it. To believe that nne need not worry too much about the welfare nf tbe swindled "names" who have to be rich in order to be admited to underwriting, is short-sighted. To keep them happy the operators had tn exact higher premiums from the trade — damaging the position nf the London insurance market directly and that of the consumers indirectly.

While bnth Germany and France are reshaping their insolvency laws after the U.S. model so as to give another chance to companies in difficulties by a period of supervision, the British Government has, regretfully, watered down the Cork Report's proposals so that little is left which would benefit small businesses.

The suppliers and other smatt creditnrs of a failed company will continue to be hit by the domino effect of ils insolvency because tbe Government is unwilling to clip the over-riding power wielded by the bank holding a floating cbarge. This is likely to make the newly introduced "adminisiraiion" quite impractical ln most cases.

There was much agitation in favour nf better drafted and understandable legislation. The Statute Law Society has been joined by the National Consumer Council and the Centre for Commercial Law Sludles at Queen Mary College. When law is uniotelligible, disputes proliferate and juslice is administered by means of a secrer ritual. Nn nne denies this but the parliamentary drafters will no doubt sit out the storm as they always do.

Nor can nne derive any great joy from the lead the highest court in the laod gives to the interpretation of obsolete precedent and obscure statute. In the Laker case, the House of Lords reversed an cnlightened decision of the Court of Appeal and opened the door widely to the U.S. courts' interveniton into UK affairs.

In the *Colombion Embassy* case, the Law Lords *granted* an almost absolulc sovereign immunlty to a foreign government's bank account, to the detriment of its business creditors. In the *President of India* case, they dellvered a regressive judgment which damages trade and increases lts dependence on bank credit; they *denied* by this *judgment* the right of courts and arbitrators to award inierest on debts paid only after a long delay.

It would be unfair to condemn the great work done by the Supreme Court—the Courı of Appeal, and the Commercial Court in particular—because of a few unsatisfactory judgments. However, to underline the need for guidelines on interpretation, one must mention the Sellebello decision which gave state traders the freedom to breach contracts by means of special legislation—contrary to the prevailing trend of both UK and foreign jurisprudence.

One should also note the reluctance of the courts to take into account the much too vague requirements of UK competition law: after having suffered a major defeat in the *Abin* case, the Office of Fair Trading lost in the Restrictive Practices Court also its *DIAZO* case. And in the Lobb case the Court of Appeal approved a solus agreement of 21 years duration contrary to the Monopolies Commission recommendation and *precedent limiting it to five* years. The court used this occasion also to cut down drastically the protection accorded during Lord Denning's presidency to ihe weaker party in a bargain.

Not everything was black and, indeed, there were some promising developments. Faced with the always louder complaints thol high costs of litigation amount often to a deoial of justice—echoed in this newspaper on several occasions—the Lord Chancellor proposed to undertake a "complete and systematic" review of civil procedure.

A departmental working party should report in four years and some fundamental problems have been already discussed at a seminar convened by the Law Commission. Betier still, Sir John Donaldson, the Master of the Rolls, has shown a much-needed impatience witb these projects, fearing that they might be "thorough but endless" as so many before. "The review is but a means to radical change," he said, "and nothing less will solve our problems."

Though with a considerable time lag after their U.S. colleagues, British lawyers are at last awakening to the possibility of computer-assisted legal information, and the bigger law firms already bave computerised their offices

The Master of the Rolls is pressing for the adoption of the computer and other advanced methods of administration in the Supreme Court. There is not much time left. Unless the legal service provided by courts and the profession is made more efficient and, therefore, cheaper, businessmen will be driven towards alternative methods of dispute resolution.

The Chartered Institute of Arbitrators has already provided for greater flexibility of procedure in its new rules of international arbitration and is actively following further *possibilities*.

The U.S. experience has shown that there is also much scope for various forms of structured conciliation. While most UK lawyers appear uninterested or hostile to such schemes, several are preparing the organisation of services of this kind.

Altogether it was a busy year, at least as far as projects and promises go. Word analyses of speeches made during the year by legal dignitaries shows that "tradition" no longer tops the list. "Efficiency" has moved significantly up the ladder. Though it is a long way from words to deeds, there is, at last, some hope.

# Equal pay law implications

A LEADING consultant has accused employers of complacency in ignoring the serious repercussions which recent changes to the equal pay laws are likely to have for their wage structures.

Mr David Wainwright of TMS Management Consultants, writing in the magazine Personnel Management, urges companies to "audit the present situation and over the medium term implement changes to pay structures."

He advised the Equal Opportunities Commission during the recent case in which a Liverpool industrial tribunal awarded a female cook at Cammell Laird shipyard the same pay as skilled male joiners and laggers.

# Letters to the Editor

## Transport policy

*From Mr R. Young*

Sir,—Last November I completed a secondment from private sector industry to the Prime Minister's policy unit at 10 Downing Street, and during my time there became involved in transport policy issues of many kinds. There is little I can properly say about the material which crossed my desk, but I did see a good deal of Nicholas Ridley at work. That, and Peter Riddell's front page piece on December 19, prompt me to ask what Mr Ridley has to do to get a fair Press, let alone a good one.

Sniping at his policies and difficulties blithely disregards (whether accidentally or deliberately I cannot say, but neither is very creditable) his appalling inheritance—a monumental burden of economic regulation, silly pledges and misguided expectations which have beset nearly every transport industry in this country for the best part of 50 years. Ridley is *the first* transport Minister for goodness knows how long to recognise, and indeed to do something about, the scandal which results — soaring subsidies, frustration of consumer choice, and protection of the worst inflexibilities of labour and management practice.

Rampant subsidies always breed lobby interests as strong as they are quarrelsome. No transport Minister can hope to satisfy them all. There is no general case for subsidy to transport, so why even try? Refreshingly, Mr Ridley is not in the pockets of vested management interests, state owned or otherwise, as his Labour predecessors were in the pockets of the unions.

I am delighted that he has decided to blow a gaping hole in regulation of the bus industry. That particular industry receives subsidies which have gone from under £10m per annum to nearly 1bn in not much more than a decade. Cui bono? And what entitles Mr Riddell to put gratuitous quotation marks round the word liberalisation when it refers to Mr Ridley's new bus policy? I am equally delighted that Mr Ridley has set and published meaningful targets for British Rail — including subsidy reduction. And I hope he may yet turn his mind to the waste which goes on because transport subsidy is directed more to producers than to consumers.

If Nicholas Ridley stays at the Department of Transport—and I believe you are woefully misled and misleading if you think otherwise—he will have done more in three or four short years for the cause of travellers, taxpayers and ratepayers than generations of his predecessors. More power to his elbow.

Robert Young.
*36, Port Hill Gardens,*
*Shrewsbury, Shropshire.*

## Heritage losses abroad

*From Mr D. Mohon.*

Sir,—The last paragraph of the letter (*December 24*) from the Keeper of the Far Eastern Department of the Victoria and Albert Museum gives implicit support to the current confusion between two bitherto accepted, but separate, obligations of the state towards our national museums. One is to make available to them funds on the scale relevant at any given time to acquire suitable objects for their collections; the other, quite distinct from the first, it to maintain (and, when necessary, to put in better order) the publicly-owned buildings containing those objects, so that the latter can be appropriately made accessible to the public in whom they belong.

The fact that the V & A has for many years continued to fall below proper standards of maintenance is notorious, but, if belated, steps are at last to be taken to remedy this inexcusable neglect, that is hardly a valid reasoo for welcoming the recent cut of over 13 per cent in the Museum's purchase grant.

A similar, and indeed even less defensible, confusion became evident from a Press notice issued on December 17 by the *Office of Arts and* Libraries on the occasion of the reduction to £1m of its share of the total value of approved objects to be accepted as payment in kind of capital transfer tax liabilities during the coming year 1985-86. A specious attempt was made to palliate this reduction by reference to a totally unrelated subject, the long overdue increase in monies allocated to museums for expenditure on housing and the like.

It must be stressed that the statutory provision for so-called "acceptance in lieu" (which does not entail the actual expenditure of public money) is the only means of obviating to some degree the forcing, by means of the incidence of capital taxatioo, of works of art on to the market (and so in many cases their loss to this country).

Yet, far from encouraging recourse to this valuable statutory option, the (unacknowledged) policy of the state is evidently to discourage this by various administrative dodges, which include—above all—the imposition of a quite arbitrary, but inflexible, ceiling of total value

Testators and executors can hardly be recommended to embark on what is in effect a lottery, especially when the estate concerned becomes liable to interest charges while the bureaucrats involved take their time in developing arguments for avoiding giviog practical effect to what is provided for in theory by statute.

What seems to be lacking in the Treasury is goodwill towards the retention of our cultural inheritance and a due sense of proportion.

Denis Mahon.
*33, Codogon Squore, SW1.*

## The study of economics

*From Mr D. Levin*

Sir, — As the schoolmaster who invited Mr John Cherrington to address the sixth form on the Common Agricultural Policy to which he refers in his December 7 article ("Time for a new economic theory") I would like to make the following *observations* on *his comments* on the role of economics.

In linking the study of economics with the difficulties of the CAP, Mr Cherrington is surely confusing a number of issues in his article. Economics is encouraged as a school subject not as a precursor to a career as an "economist" but in order to develop skills in two particular areas. It is a discipline based in rigorous analysis, fostering objectivity and detachment in the study of the economic workings of society. Ecooomics also fulfils a unique role in schools in providing a link between academia and the outside world of wealth creation.

This link exists here at Cheltenham both through constant scrutiny of the economic happenings in the world, and more concretely in our policy of seeding pupils into industry. Our formalised school Industrial link scheme gives boys the opportunity to confront both the experience of "work" as many people know it, and the issues of wealth creation at first band.

While I agree with Mr Cherrington that the economics of surplus agricultural production in Europe and their consequent distribution present a dismal *picture in the CAP* I would suggest that this results more from deliberate political policies than from any failure of economics as a subject.

David Levin.
*Economics Department,*
*The College, Both Rond,*
*Cheltenhnm*

## Compulsory liquidation

*From Mr M Posner*

Sir, — I must disagree with the director general of the Institute of Directors (December 19) on his comments relating to the Insolvency Bill that "it makes businessmen guilty until proved innocent."

From personal experience I bave seen directors of boards appear totally unconcerned when sums of up to £1m have been lost to *creditors*.

These directors must have known that their companies were in financial difficulties as the reports from the meetiogs of creditors showed that losses were being incurred many months before a petition was presented.

Under section 332 of the Companies Act 1948 It has to be proved that directors intend to defraud creditors. If directors are not prudent in administering their companies, even if they are not guilty of fraud, they must bear responsibility for their actions wben their companies cannot pay their debts upon demand.

Martin S. Posner.
*4 Johnston Court,*
*Woodstock Road,*
*Croydon, Surrey*

## Good credit risks

*From the Managing Director,*
*Downings Steel*

Sir, — I read with interest the short article (December 18) on "The how to of credit control." That is until I reached the final paragraph, *which* completely negated the good sense which bad been expressed in the rest of the article.

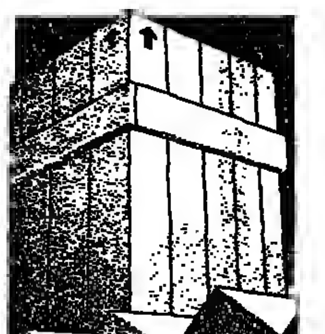
I have heard, on many occasions, a customer suggest that be is a good credit risk because be has not got a baok overdraft — and could he have 90 days in which to pay, and each time my blood boils. Banks are for providing trading credit, and any encouragement, which very maoy companies need little, to take extra credit from suppliers, is irresponsible and immoral.

Obviously the reality of business is that credit is part of our way of life and it is probable that the industrial sector would collapse if all accounts had to be settled on time, but a company which pays its accounts on time can at least talk from a position of strength wheo asking its own customers to pay more promptly.

M. J. Kent.
*Doncoster Road, Barnsley,*

# Forecasts 1985

## Downturn could mean restructuring



**CAPITAL GOODS**

IAN RODGER

THE EXPECTED slowdown of economic growth in most industrialised countries this year is bad news for capital goods producers.

1984 provided something of a reprieve for *hard-pressed* makers of most kinds of industrial equipment, as investment spending grew strongly in some countries, especially the U.S., for the first time in at least three years.

However, few capital goods producers are yet making reasonable profits and even *fewer have repaired the damage* done to their finances by the deep recession of the early 1980s. So a fresh downturn could lead to major restructuring.

Perhaps the decision in November by International Harvester of the U.S. to abandon the farm equipment *business* will turn out to be an indicator of a new willingness by companies in some of the world's overcrowded heavy industries to take hard decisions.

These are confusing times for capital goods producers. They are accustomed to seeing their industrial customers start to invest in new plant and equipment once economic recovery has been under way for about a year. But in the current cycle, the surge in investment spending did not really get underway until last year. Now it looks as if it will be shortlived as well.

In the U.S., where the surge has been strongest, total fixed investment was up 9.7 per cent in 1983 and about 18 per cent last year, but the growth rate is expected to drop to 5 or 6 per cent this year and peter out in 1986. In Europe and Japan, the pattern has been much weaker, with peak growth rates in fixed investment last year of under 5 per cent in Japan, 8 per cent in the UK and 3 per cent in West Germany. All except France and Italy are looking for lower investment growth rates in 1985.

So far, the recovery in investment spending has also been highly selective. It has been best in the commercial vehicle, aircraft and factory automation sectors. Cummins Engine, which supplies nearly two-thirds of the engines for big trucks in North America, had a 54 per cent rise in revenues in the first nine months of 1984. General Electric of the U.S. said that *aircraft engines* were among the main contributors to its earnings and sales gains last year. GE supplies engines to Airbus Industrie, which pulled off a spectacular $2bn order last year from Pan American World *Airways. In the factory* automation sector, CADCAM and robots continue to be the fast selling items. Robot sales worldwide probably grew 25 per cent in 1984 to something like $500m.

But the recovery has scarcely touched other capital goods sectors. The traditional machine *tool* industry, for *example*, is still depressed. Machine tool orders in the U.S. have recovered from the deep trough at the end of 1982 but are still at about half the peak level of $5.6bn reached in 1979. *In the UK*, the machine tool order rate is still about 30 per cent below 1979 levels. The construction equipment and process plant sectors also remain depressed, while farm equipment has continued its eight-year decline.

One reason for this selective pattern of performance in the capital goods industries may be the high cost of borrowing in most countries. Most very large *capital projects can* easily be postponed, and the temptation to do so must be strong when high interest charges lengthen the projected payback period.

Another negative factor has been the drying up of markets for big plants in Opec and other developing countries, as their financial resources have become strained. The six countries in the Gulf Co-operation Council had a combined deficit of over $11bn in 1983 and are not expected to be in surplus for at least another two years. Bechtel, the U.S. engineering construction group with major interests in the Gulf, took new orders worth less than $10bn last year compared with *$13bn* in 1983.

Some capital goods sectors have *special* market problems. Environmental concerns, for example, have brought to a halt the construction of nuclear power stations in the U.S. and some other countries. Steelworks projects in developing *countries* are being affected by increasingly tight import restrictions in the industrial countries. According to the International Iron and Steel Institute, spending on steelworks by five important *developing countries*, Brazil, Chile, Mexico, Venezuela and South Korea, dropped from $4.8bn in 1979 to under $2bn in 1983.

Analysts have been wrongly forecasting major structural changes in traditional manufacturing industries for many years, but it looks as if there could be a number of major *developments this year*.

### The recovery in investment spending has, so far, been highly selective

For example, talks between Clark Equipment of the U.S. and Volvo of Sweden with a view to combining their construction equipment businesses have been going on for several months, and a result should be imminent.

The removal of Harvester *from the farm* equipment business may make it easier for other companies with limited prospects in this sector to conclude that they should withdraw or combine forces with a stronger competitor.

In the machine tool area, the shake-out among traditional builders is proceeding rapidly *and a new structure is emerging* in which three or four companies with strong electronic know how are becoming dominant in each of the main industrial countries. Because of the increasing importance of electronics in factory equipment, the large established electrical companies, such as Siemens, Philips and Olivetti, are likely to get more interested in the sector.

*Machine tool builders* with a strong presence in the automobile industry should do well this year. After a very successful year in 1984, car makers are spending heavily on new equipment. General Motors, for *example, said recently it* planned to spend $1bn on machine tools this year in the U.S.

In some sectors, restructuring could take the form of joint ventures, along the lines of those launched by the major *aero* engine makers in the past year or so to develop new models.

The capital goods producers of the U.S. have had a particular problem in the past couple of years because of the high value of the dollar and it *seems* likely that something will be done about it this year now that the U.S. election is over.

Caterpillar Tractor, the world leader in construction equipment, has seen its exports from the U.S. *fall from* $3.5bn in 1981 to $1.5bn in 1983. Cat has also had to cut its margins in the home market to compete with low cost imports. The company suffered its third consecutive years of losses in *1984*.

"Automate or emigrate" has become the bitter slogan in the Midwest heartland of U.S. heavy industry, but Cat's experience suggests that even if you do both, that may not be enough. The company has been a leader in adopting new manufacturing technologies and it has 10 factories outside the U.S., including five in Europe.

Until recently, Cat and other big manufacturers suffering from the high value of the dollar have been fairly restrained in their criticism of U.S. policy, but they are becoming more aggressive, demanding protection from imports unless *the terms of trade* with foreign competitors are improved.

They are also shifting more production to lower cost foreign locations. Cat announced in November that it was likely to move some manufacturing activity from two plants in Illinois to its factories in Glasgow and Grenoble.

In summary, 1985 is likely to be another year of struggle and upheaval in most of the capital goods industries.

## Confounding Orwell's predictions

**INFORMATION TECHNOLOGY**

GUY DE JONQUIERES

SO now we know. Nineteen eighty-four the year did not, after all, turn out much like Nineteen Eighty-Four the novel. Orwell's bleak vision of technology employed by a faceless government as an instrument of political repression has few echoes in the world today.

*Indeed, in one important* respect, the outcome is almost the exact opposite of Orwell's prediction. The spread of the new technologies — and particularly microelectronics-based information technology — is enlarging the scope for individual freedom and sweeping away many traditional underpinnings of *centralised* authority and control.

One example is the growth of the personal computer, which has brought to the individual desktop the power and versatility of large central mainframes of only a few years ago. Another, even more recent, result is the accelerating shift away from state-sanctioned monopoly and regulation towards liberalisation and competition.

The break-up of American Telephone and Telegraph and accompanying U.S. deregulation, liberalisation of Britain's telecommunications market and the planned curtailment of Japan's telephone monopoly *all* reflect a common theme: that microelectronics has undermined the basis for a "natural" telecommunications monopoly by hastening the erosion of the long-standing distinction between computing and communications.

It is tearing down barriers in other *sectors, too. By* lowering entry costs which have historically discouraged new competition, electronic information systems are playing a central role in the structural upheavals which are reshaping the banking and financial services industries on both sides of the Atlantic.

Deregulation is also accelerating the emergence of global markets for many types of information technology products *and services*. Economies of scale play an important role in the electronics industry, and particularly in semiconductors and public telecommunications equipment, where the soaring investments needed to remain *competitive* can *only* be recouped through large production volumes.

The quest for bigger markets has led a growing number of European companies such as Sweden's L. M. Ericsson, *Britain's Plessey* and *West Germany's* Siemens to expand in the U.S. in recent years. Now, the intense competition unleashed by deregulation at home is increasing the pressure on many American companies which have never before exported to push into international markets.

American Telephone and Telegraph has already established beachheads in Europe through alliances with Philips of the *Netherlands* and *Italy's* Olivetti. Many smaller American telecommunications and electronics companies are also looking with increased interest at Europe and other world markets.

MCI and GTE Sprint, two carriers which compete with AT&T in the U.S. long-distance *telephone market, have recently* challenged its former monopoly over international traffic. Both rivals plan to offer their U.S. subscribers transatlantic services at well below AT&T's rates.

*These* developments are bound to send further reverberations through Europe, where telecommunications policies are confronted with growing pressures for change. Britain's controlled liberalisation of its market has already shaken the once solid consensus in *favour* of *national* monopolies, but other countries still seem undecided about how to react.

No electronics company has pursued the principle of global marketing further than International Business Machines. Arguably the most highly integrated multinational company in any industry, it is a major force in almost every developed country and wields unrivalled influence over the direction of information technology markets.

Since the late 1970s, IBM's commercial resurgence has confounded and astonished its competitors worldwide. It has stepped up the pressure by re-equipping its production capacity, shortening product cycles, slashing prices and implementing aggressive marketing strategies.

One of IBM's main objectives has been to repel the challenge of Japanese manufactures such *as Fujitsu and Hitachi in larger* computers.

IBM's onslaught has undoubtedly thrust its Japanese competitors on to the defensive. However, it has also brought protests from its smaller *American rivals, who say that* competing against "Big Blue" is becoming increasingly difficult. Whether their complaints will have any effect on IBM is still uncertain.

IBM is also advancing strongly in *Europe, where it is* by far the biggest supplier of computers and is pressing to capture a share of telecommunications markets. Its boldest step so far was its proposed joint venture with British Telecom last year to operate a sophisticated data communications network in the UK.

The plan was vetoed by the Department of Trade and Industry — much to the relief of several other *European* governments, which fear IBM's market power. Their concern is, however, tempered by their acknowledged dependence on the contributions which IBM makes to their national economies through investment, employment and exports.

This ambivalence is symptomatic of a deeper malaise, stemming from Europe's increasingly apparent failure to match the U.S. and Japan in harnessing the potential of high-technology to create economic growth.

In computers and semiconductors, European manufacturers' share of world markets — and of their home markets — has been in steady decline for several years. In telecommunications, protectionist policies have enabled most countries to maintain balanced trade. However, even the biggest national markets no longer provide the economies of scale which manufacturers need to remain competitive.

Europe lags not only as a producer of microelectronics, but also as a user. Though semiconductor sales roared ahead by almost 50 per cent in local currency terms last year, no country comes close to the U.S. and Japan in terms of microchip consumption per capita.

The past 18 months have seen several steps towards closer collaboration between European electronics companies. Esprit, the EEC-backed programme which was finally given the go-ahead *last year, has brought* together several different firms in research and development consortia.

With sizeable support from their national governments, Philips and Siemens have also teamed up to develop a new generation of microchip memories, and Siemens, ICL of Britain and Bull of France have together set up a research centre to undertake work in advanced computer intelligence.

However, the commercial results which can be achieved through closer industrial collaboration are bound *to* be limited while European markets remain fragmented.

At the *instigation of* the EEC Commission, national telecommunications monopolies have recently begun talks on harmonising technical standards and apparatus approval procedures. Several European computer companies are also supporting efforts to develop common equipment standards.

However, such efforts must overcome both formidable technical hurdles and a web of government policies, particularly in the larger EEC countries, which still favour national industrial "champions" over their European competitors. In these circumstances, just to sustain the momentum achieved so far would be an achievement.

### Economies of scale play an important role in the electronics industry

# TECHNOLOGY

EDITED BY ALAN CANE



FT SPECIALISTS LOOK AT THE LEADING EDGE TECHNOLOGIES POISED FOR GROWTH IN 1985

## Pointers to the next gold rush

### AUTOMATION

FACTORY AUTOMATION is unlikely to experience—in 1985 or any other year—the meteoric rise of say, the personal computer.

Relatively large investment is involved, the gestation time is longer and mistakes can be expensive.

In much of Europe, electronics is walking tiptoe, not rushing into factories, but the pace is accelerating as everyone involved comes to terms with the unpalatable fact that manufactured imports are overwhelming exports. In the UK, for example, the former exceeded the latter for the first time in 1983.

But there is growing appreciation of the benefits of computer-aided design/engineering, robotics, flexible manufacturing and assembly systems, automatic testing, machine vision and speech input/output for control and inspection.

In 1985 more projects will emerge in which separate "islands" of automation will be linked. The electronics industry is well ahead—several companies have CAD software that produces test information for example.

More robots will be able to see, more automation hardware will speak and listen to humans, and as the power of computers increases, much more information will be available on demand—to humans or machines.

Gradually, European board directors are realising that there is no conflict between price and quality: as the Far Eastern consumer electronics companies for example, have *shown*, reasonably *priced*, high quality reliable products are perfectly feasible.

### BIOTECHNOLOGY

PREDICTING WHAT is back in biotechnology is a little like riding a bob sled while playing Russian roulette. However, a quick scan of the entrails suggests that "barnyard" biotechnology and tiny specks of genetic material called probes may provide some winners in 1985.

With good land at a premium, our craving for meatier meat, and milkier cows may in the end only be satisfied by turning to "animal cloning." This is the business of producing a lot of genetically identical offspring from one, highly bred strain of animals. Animal cloning is done by subdividing one embryo taken at an early stage from the mother many times.

Animal breeders now obtain as many as four offspring from a single *fertilised* egg and techniques of implanting them in surrogate mothers is now well advanced.

Combine this with the ability to deep freeze them for air transport around the world and then thaw them out unharmed, it is easy to see the potential for revolutionising animal *breeding in the remotest* corners of the world. A clutch of new biotechnology companies are even now aggressively battling for new customers in Eastern Europe and the Third World.

*The* business *is* destined to grow fast. Deep frozen embryos are cheaper to ship than live animals and they neatly get round the import restrictions which prohibit such trade in many countries.

No look at the future would be complete without a nod at the past, and the success of monoclonal *antibodies* last year is destined to continue into 1985. The many applications of these *precious* chemicals made from a unique fusion of two animal cells are destined to keep the biotechnology flywheel rolling. *This year will see new* diagnostic kits and a new range of agents for imaging disease which could improve the survival rate from heart attack and even cancer.

### SEMICONDUCTORS

IN SEMICONDUCTOR technology definitions seldom last. The technology moves faster than the language created to describe it. But the latest group of *terms* to run out of steam indicate the beginnings of a fundamental change in the semiconductor industry.

The very basic division of semiconductor parts into standard and custom integrated circuits is breaking down. *Several different pressures are at work.*

● Large specialist groups of semiconductor users are emerging. The automobile industry, for example, is now a major user with special needs for high quality devices that can operate in a tough environment.

● Product life cycles are shortening forcing competing manufacturers to come up with something "new" more quickly.

● The complexity of integrated circuit design has increased to the point where an entire computer (or similar) system can be put on half a dozen chips.

● Automated design methods are making it easier and quicker to produce special integrated circuit designs.

It will not be long, however, before the lines between custom and standard chips become even more blurred.

The future may bring "automobile chips" that are optiformed in a car engine.

"Standard" memory chips are beginning to be designed in special versions to suit different market sections. The next step may be special versions of microprocessors tailored to fit the requirements of a particular customer. Such chips have already been built for one or two very large users, according to industry insiders.

### MATERIALS

THE SEARCH for cheaper, lighter or stronger products is providing a new impetus to the world of materials development. Metal combinations like Aluminium-lithium, tipped to replace conventional metals in air*craft design, are facing* a challenge from plastic polymer composites which offer even greater weight savings without sacrificing strength or simplicity of manufacture.

Many companies are *adding* carbon or glass fibres to polymers to produce plastics which are as hard as metals and can even be machined and formed by processes developed for metals. Also, researchers are developing *faster ways to* injection mould large components allowing the materials which form the plastic to react in the mould itself rather than carry out this process separately.

In the world of automobiles, the race is on to develop engines made from novel types of ceramics. In a car, ceramics replacement of metals could result in better fuel efficiencies because the engine could run at higher temperatures as well as the potential for lighter vehicles which would also save energy. In Japan, prototype turbochargers have been built with some 40 per cent weight savings over traditional nickel alloy types.

*Ceramics alone* have wide potential in industry from the tiles which protect the space shuttle to electronic components, aircraft turbine blades, cutting tools, and even hip replacement in medical applications.

### SPACE

IN SPACE technology, West European nations have to decide later this month on the role they will take in the U.S.'s plan to build a manned space station in the 1990s. The station could feature docking ports, to be used in the repair of satellites, and laboratories for tests of exotic techniques to produce materials in low-gravity.

The USSR is also active in this area. The country's latest space station, Salyut 7, has been empty since October but will be occupied again soon, as part of the Soviet Union's long-term goal of keeping men and women *in space on a permanent basis.*

In communications technology, 1985 will see the launch of an increasing number of satellites that use high-frequency bands at around 15 GHz (as opposed to the more conventional space band at around 4 GHz). At such frequencies, more traffic such as high-speed computer data or telephone calls can be sent using the same number of satellite receivers/transmitters.

*France* is pressing this year for Western Europe to give financial backing to a new, heavy-duty form of the Ariane rocket, Ariane V. British Aerospace has designed a new kind of unmanned launch vehicle that returns to earth after jettisoning its payload—but the project is unlikely to go ahead as a result of lack of enthusiasm by the UK Government.

### COMMUNICATIONS

DURING THE opening weeks of the New Year the UK's two tems, Cellnet and Vodafone are going "live" in London and the first inklings of an answer will emerge to that much-asked question—"what will be the take-up rate by British business?"

*For the user, the service will* be available on demand—the old waiting lists of previous, single transmitter radiophone services will vanish—and clear, quickly-connected phone calls will be possible from vehicles or hand-held units.

Eight or so low power transmitters are used in cells only a mile or two across, the *vehicle's call* being computer-switched between them as the car crosses the boundaries. The channel frequencies in one cell can be re-used only a few miles away in another, greatly increasing channel capacity.

But an average user of the service is unlikely to spend less than £1,700 a year and many will spend much more.

Trunked community systems are also set to make an impact next year. Here, instead of a number of private user groups each having a fixed channel frequency, a number of channels is allocated to the area *and each group is* dynamically assigned one of them by computer when the need arises. In theory, the allocated channels can be kept fully occupied, implying more users or fewer channels.

*Paging*, in which one is merely alerted by "bleep" and display to find a phone seems assured of a future via cheapness. An in-house paging variant that some manufacturers will push for in 1985 is pagers with keypads allowing dialling out via the company PABX. But new frequency allocations will be needed.

### COMPUTERS

TOWARDS the end of the decade, parallel processing should come into its own in business computing.

For over 30 years, commercial computers have been constructed according to what has been described as von *Neumann architecture*, designed for sequential operation. The computer's central processor carries out its instructions one at a time in a strict sequence.

For some years now it has been apparent that computers which carry out instructions in parallel would be substantially faster than today's machines and would also have the capacity to work on problems in an "intelligent" manner.

Th shift to parallel processing won't be this year, however, or for some years to come, even if the first signs of genuine advances in parallel processing are becoming evident. The Japanese, for example, have announced a working "inference engine," a computer that processes inferences by the second rather than instructions.

This year, also, Inmos should produce sampling quantities of its "transputer," a silicon chip made for parallel processing—it already claims to have a working prototype in silicon.

### VIDEODISCS

THE DOMESTIC computer market is running out of steam (Basic palls, games bore), the video disc player business stagnant (technological solution chasing a question).

Put them together, however, and there is the nucleus of what could be the most important development in consumer electronics since the invention of the radio receiver.

It is interactive video, the use of a small computer to control and manipulate video images on a television screen.

Last year JVC announced the launch of the first interactive videodiscs designed for the consumer market.

*Experiments with* interactive video are already commonplace in industry where they are used chiefly for education *and* training.

Interactive video is also exploited in the latest generation of public arcade games.

The advantages of interactive video are threefold: the screen image is "real" rather than constructed in computer graphics, any frame on the disc can be called to the screen in a fraction of a second and different video sequences can be displayed according to the dialogue the user conducts with the computer—for example in a road race game a driver could either take a bend safely or crash realistically according to how well the computer is "driven."

### MEDICINE

AN INCREASING preoccupation among health-care administrators is to transfer *surgical* treatment where possible from the hospital ward to the outpatients' department, where costs can be reduced. Several promising developments in laser surgery are helping this trend.

The most far-reaching could be application of lasers to unblock arteries that have become clogged with fatty deposits. Such operations, reminiscent of calling in a plumber to sort out a silted-up rain pipe, will be the subject of continuing *experiments* during 1985.

Already doctors at the Northern General Hospital in Sheffield have reported promising results in work to unblock arteries in the legs. The technique may soon be transferred to the blood canals close to the heart.

Clogged arteries, caused by people *eating* too much fatty food, are a major cause of strokes and are usualy treated by expensive by-pass surgery.

Another technique being turned to by brain surgeons involves use of ultrasound to emulsify tumours. A probe vibrating at a high frequency selectively removes tissue, leaving behind nerve ends and blood vessels. Conceivably similar techniques could be applied to treat other parts of the body.

### SOFTWARE

"GIMME a list of the salesman who sold above average last month. And I want the name of that guy in California who topped the list."

Such a request might be barked into an intercom system for the attention of a *diligent* secretary. It is not, however, the kind of language that can be used to *command* a computer.

Obtaining the same information from a computerised data base, even using the most sophisticated personal computer data base management *software*, might require *commands* such as:

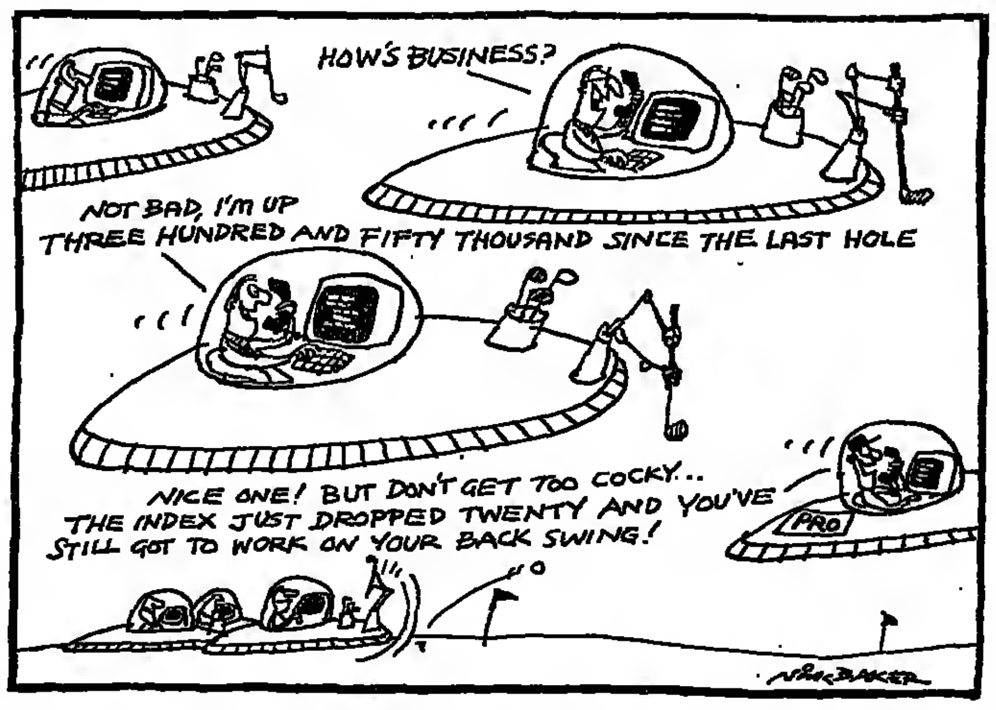
● Select Lname salary from salesP where salary GT. average

● Select Lname salary from salesP state. Calif where salary. highest

Thereby lies a major problem for personal computer novices. Before they can put the machine to work, personal computer users are forced to learn a manual full of arcane commands.

Ideally, a personal computer should be able to understand and obey commands phrased in the user's own words. The demanding sales manager quoted above should be able to type his request—slang and all—into the computer and get an answer.

"Natural language" programs for personal computers are in their infancy, but experts predict that natural language computer interfaces will be one of the first commercial applications of artificial intelligence research. They forecast a $800m market for natural language software by 1990.



## THE ARTS

**Clement Crisp** casts a jaundiced eye at dance in 1984 but recommends Covent Garden's new 'Nutcracker'

# A dismal year redeemed by the SWRB

These annual reviews are examples of what one might call the "drowing critic" syndrome as the year flashes by in hideous retrospect. Can so much have been so dismal? Notes, notices confirm the fact, and my suspicion is that it should be the works, rather than the observer, going under for the third time. The year was scarred by some desperate choreography: Danny Grossman's naif *Shaman* for his Canadian dance company; an evening of what looked like sex aversion therapy from Hans van Manen and the Dutch National Ballet; Emilyn Claid's soggy *Child's Eyes* for Extemporary; the 'bums ahoy' offering of Michael Clark, a fine dancer; a Dance Umbrella evening plumbing the depths with Rosemary and Russell Dumas; Second Stride going into the re-cycled movie business with Ian Spink's *Further and Further into* the night (Hitchcock made tedious); Northern Ballet's *Fu*, a form of Chinese water torture; Kylian's *Return to the Strange Land*, which was an example of reactivated choreographic sludge acquired by the Royal Ballet. And more. And more.

It was a year when the housing of dance was a matter for discussion, and protest. The Edinburgh Festival is still the chief offender. It does not deserve, and all too rarely cares to present, ballet of any merit: this year brought the Ballet of the Komische Oper, Berlin, with a *Swan Lake* pretending to be *Hamlet* and looking like *Fawlty Towers*, and the Paris Opéra's charming *comedia dell'arte* programme, which were lodged in a grubby old cinema. Birmingham now has the best dance house outside London thanks to the splendid conversion of tha Hippodrome, where Sadler's Wells Royal Ballet found a beautiful stage for its Peter Wright/Philip Prowse *Sleeping Beauty*.

London's housing of ballet had to do with the continuing inadequacy of Sadler's Wells, and the need for another dance house, a matter featuring in the important report, *The Turn of Dance?*, commissioned by the Arts Council from John Drummond and Nicholas Thompson, which analysed sites and solntions and found as most suitable the Theatre Royal, Drury Lane.

The Dominion Cinema was thought by the report to have more potential than my own experience this year would suggest. Watching the Cuban National Ballet, the Moscow Classical Ballet, and Festival Ballet there was like viewing dance in a crematorium. The auditorium is a barn lit by a miser; the sight-lines are such that from mid-stalls you see the conductor better than the dancers.

In the case of the Moscow company this might be no bad thing; the tronpe brought a risible repertory, shoddily staged, sparsely danced. Stanislav Isayev was a fine *jeune premier;* Aleksandr Gorbatsevich and Viktor Kasatsky battled with tiresome choreography. The company's guest, Ekaterina Maximova, was vilely served by everything she had to do. The National Ballet of Cuba triumphed over the theatre and a slippery stage with dedicated dancing and an ill-conceived *Swan Lake* and a *Les Sylphides* exact in spirit if not in step.

Curiosity of the year was *La Diva* in which Alicia Alonso, in her mid-sixties, was hi-jacked aboard a concert grand by six beefy chaps, impersonating Maria Callas the while. The Dance Theatre of Harlem had a great success at the Coliseum with their Creole *Giselle*, bright with dramatic conviction; the post-Modern Mark Morris brought alert ideas and alert dancing from New York to The Place. In New York the City Ballet provided the best dance and best dancing of the year with their re-staged *Liebeslieder Walzer*, and American Ballet Theatre's Tharp pieces, *The Little Ballet* and *Sinatra Songs* were dazzlingly done by Baryshnikov

The National Ballet School in Toronto celebrated its silver jubilee; the Met in New York marked its centenary with a stage crowded with legends; astounding interpretation of the year was Jean Babilée's return to *Le Jeune Homme et la Mort* at the age of 61, a genius of the dance still.

Maya Plisetskaya gave an incandescent *monstre sacré* impersonation of Lifar's *Phèdre* in Lyon as part of that city's first Dance Biennale; the Paris Opéra Ballet, rejuvenated under Nureyev's direction, danced tremendously in a wide range of choreography; Roland Petit's Marseille company, Béjart's Brussels ensemble, were in excellent form (and Marcia Haydee joined in what was Balletic Impersonation Year by appearing as Garbo).

For the Royal Ballet it was a year of declining attendance figures (down 3 per cent on the previous year at a worrying 84 per cent) accountable for by predictable casting, predictable repertory, lack-lustre interpretations. Visual stimulus came with the invitation to easel painters to design three new ballets: Victor Pasmore most successful for David Bintley's *Young Apollo;* Deanna Petherbridge joining Ashley Page for his début work, *A Broken Set of* Rules, which was not helped by a crass score; Patrick Caulfield overwhelming Michael Corder's succinct *Party Games*. None of these pieces realyl came off; nor did the inexplicable acquisition of Kylian's dank *Return o n Strange Land*. Kenneth MacMillan's *Different Drummer* proved a tease, original view of Böchner's *Woyzeck* and of Wayne Eagling's best qualities as the hapless hero.

Though still a peerless ensemble of dance-actors, I found the company's standards in the classics to be underpowered by comparison with ahe academic bravura of troupes in New York and Paris. (The guest appearances of the impreccable Elizabeth Platel, and a single performance by Charles Jude, suggested how far our young principals lag behind étoiles of their age at the Opéra.)

The company suffered the loss of Michael Somes; of David Wall, who retired with a blazing performance in *Mayerling;* the Sadler's Wells branch was weakened by the departure of David Ashmole and of Michael Batchelor. A most welcome appointment was that of Anthony Dowell as assistant to the director, and his dancing, though curtailed by injury, was one of the joys of the year. As was that of Antoinette Sibley in the radiant maturity of her art, giving performances unique in Britain in their command of ballerina style, elegant and elegantly nuanced. Among debuts, I greatly enjoyed those by Ravenna Tucker as a lyric Juliet and as a darting, tender principal in *Rhapsody*.

We celebrated Sir Frederick Ashton's 80th birthday with joy and a gala, charcteristically stylish in content as in form, and Sir Anton Dolin's memory was honoured in an International gala organised by Nadia Nerina, which brought the first London appearance of the sparkling young Romanian Gheorghe Iancu.

For SWRB it was a year of success: John Auld's vivid staging of *Petrushka* (in which David Bintley was in the great tradition as the puppet hero) and the Peter Wright/Philip Prowse production of *The Sleep-Beauty* showed how a medium-sized troupe could achieve marvels, though the ensemble deserves to be strengthened with half a dozen more dancers.

SWRB performances remained enthusiastic, and the guest season by the Canadian ballerina, Evelyn Hart zbrought her exceptional début in *Swan Lake* as a bonus. The Royal Ballet School was somewhat o'er-parted by *The Sleeping Beauty* which marked the silver jubilee of its first public performance, though two noteworthy talents were on view: the serene, musical Miyako Yoshida and the buoyant Errol Pickford.

London Festival Ballet appointed Peter Schaufuss as its director, and there came a swift infusion of new blood and announcements of new works: the prospects are bright. Ballet Rambert presented fresh dances from Christopher Bruce, Robert North and Richard Alston, and revived Ashton's *Capriol Suite* as a treasure from the past. London Contemporary Dance Theatre found novelties by Siobhan Davies, Robert Cohan, Tom Jobe which showed the company to be on its very best form.

Commercial sponsorship, increasingly important in the life of the dance in Britain, ranged from Sainsbury's continuing support for SWRB on its regional tours, to Citicorp International's adventurous funding of *Different Drummer* and Conoco's Jet's subsidy for sn SWRB London season as well as for *Metamorphosis*. BP paid for a dance apprentice with Extemporary; National Westminster Bank sponsored the Lonon Contemporary tourning unit and guaranteed free tuition and tickets to performances for 6,000 young people, while The Mercers' Company aided Festival Ballet's education unit. British Printing Corporation and the Heron Corporation backed the Royal Ballet's new *Nutcracker*, and the West Midlands County Council supported SWRB in Birmingham, who gained thereby a fine *Sleeping Beauty*. Grand Marnier backed a tour by London City Ballet, while Midland Bank's continuing generosity made the Covent Garden proms possible yet again.

Public gratitude to these bodies can be measured simply enough by noting how much poorer the dance life of the year would have been—at all levels and in all locales—without their support. Other, uninvolved corporations, please note.

Roland Price as Prince Florimund and Marion Tate as Princess Aurora in Peter Wright's new production of "The Sleeping Beauty" for the Sadler's Wells Royal Ballet

# The right new approach to an old classic

The ballet classics of the 19th century have never been more popular, nor more abused in production, than in recent years. Public expectations are such that any company pretending to serious status is supposed to provide its version of some classical masterpiece. Because even partially correct texts by Petipa and Ivanov are not generally available, there has resulted a producer's field-day, with recensions that are no more than the grossest misreadings and travesties of what they purport to be, choreographically and musically. There ensues a corruption of public taste quite as deleterious as that of the ballets themselves. The title is all, as we may judge from such monstrosities as the Paris Opéra's *Sleeping Beauty*, like a bad night at the Folies Bergère, or the East Berlin *Swan Lake* pretending to be *Hamlet*.

Even the Royal Ballet, reputedly a guardian of textual niceties, had elided and compromised the Imperial Russian notations received from Nicholas Sergueyev, up-dating and revising prodnctions so that they distance themselves yet further from historical credibility, as the current patchwork *Swan Lake* at Covent Garden testifies.

No one supposes that a reconstruction of a Mariinsky staging would be practicable or advisable, yet sympathy for the aesthetic premises of the ballet as first produced, and understanding of the relationship between score and initial choreography (which was one of the great virtues of the Petipa manner), should suggest how unthinking innovation distorts both the ballet and its musical logic.

Thus Peter Wright's *Nutcracker* is welcome as a felicitous exercise in revival and reassessment. His concern with an Ur-text is not rigid with pietism, and he has found a way to reveal the sometimes secret poetry of the narrative that sounds in the emotional resonances of Chaikovsky's score. This new version proposes a decent accommodation between choreographic authenticity and modern taste, while also discovering ways of stressing Drosselmeyer's actions (his obsession with time, for instance) as a motive force of the piece as in Hoffmann's tale.

*Nutcracker* is no longer divertissement begetting further divertissement: it has a narrative logic which matches that of Chaikovsky's score.

In two performances before Christmas I admired yet again the charm and magical effects of Julia Trevelyan Oman's designs, with trap-doors and differing stage levels bringing added zest to the battle and to the wonderful tree. My one reservation is that the thrones, from which Clsra and the Nutcracker watch the divertissements in the rococo confectioner's paradise which is Confiturembourg, are set too far into the wings and must be invisible to at least a quarter of the house.

Of the two Drosselmeyers, Michael Coleman is the more mysterious through the intensity of his sorrowing, isolated presence; John Auld, clearly more a magician, is also more genial. Both interpretations are alert to those qualities implicit in Chaikovsky's potrayal of the old alchemist.

There hsve been two new and delightful Sugar Plum Fairies. Ravenna Tucker gave the pas de deux a gentie and beautifully nuanced statement, lacking only that final spacious authority which she will find with experience. Fiona Chadwick took the stage like a ballerina—rare sight at Covent Garden — with the generosity of style and technical finesse the dance demands. It is the best thing I have seen her do. Neither artist's cavalier — Jay Jolley snd Wayne Eagling — could offer any rewards in performance. Gennsdy Rozhdestvensky continues to work wonders with the orchestra.

I must also record the very plessing London début of Karen Donovan in *Coppélia* with the Sadler's Wells Royal Ballet. Her bright technique, her gaiety of spirit and step, made Saturday afternoon's performance sparkle with life and fun. The SWRB presentation, with vivid orchestral playing under Ormsby Wilkins, went at a spanking pace, and the adorable Miss Donovan was its enchanting heart.

## Jazz over the holiday

**Kevin Henriques**

Jazz writers in this country are guilty too often of concentrating on the many American musicians and singers who perform here regularly, to the neglect and detriment of the local players, who admittedly can never be much more than excellent emulators of the creators, the Americans. Nevertheless this should not detract from the fact that British jazzmen are enormously talented and rank in quality with those from any other European country, a truism confirmed to this writer during December.

At the Bass Clef, Coronet Street, N.1 (near Old Street Tube), alto-saxophonist Pat Crumly presented his suite *Third World Sketches*, self-explanatory in conception and underlined by such section titles as "Ethlopia," "A Better Tomorrow" and "Dollaroso," written with South African pianist Dollar Brand in mind and tinged heavily with kwela music, just as the section devoted to India evoked the unmistakable music of that continent. A sextet outhoritatively led by Crumly played the pieces with sensitivity and enthusiasm. Crumly is an intense, impressive altoist and was the focus of the evening's solo playing. Trumpeter Guy Barker was, however, a disappointment, displaying that trumpet-into-microphone technique, full of fast flurries and little else, which he relied on when with the Gil Evans band at Ronnie Scott's last October.

Some long overdne words about the Bass Clef, which opened last September: located in a basement, it is the brainchild of bassist Peter Ind. Sensibly the eating, drinking and listening areas are separate. It is described as "a multi-music venue" and, though there is live music six nights a week, jazz is heard on three only. The venue contains all the ingredients for an ideal jazz spot, save for its location in an unfashionable, unwelcoming part of the metropolis. Also, listening would be more satisfactory in these low-ceilinged premises if the instruments were not so heavily "miked up," especially the piano.

*

Alan Graysmark is in accountancy in the City and is a spare-time promoter at present running Monday sessions once a month at the 100 Clnb, Oxford Street. A quintet of our leading musicians foisted with the daunting title of "Jazz Superstars" played at his most recent promotion. With a front line of tenor-saxists Don Weller and Art Themen the five presented a supercharged brsnd of jazz, full of energy, with the musicians bravely taking chsnces, not content to churn out the same old clichés. Sometimes thia led to periods of "free" (tempoless) improvisation, the musicians indulging themselves in some kind of jazz action painting, throwing out splashes of sound.

Weller and Themen complemented each other on tenor, the former slightly overbearing but always in control, the latter more subtle, especially when on soprano-sax. Behind them was a creative, rhythm section contributing all the time, none more so than drummer Bryan Spring, an interise, at times ferocious player but listening closely to every phrase from his colleagues. The sole serious gripe about this group of "Superstars"(?) is the lofty disregard they have for tha audience, never once letting them into the close secret of the titles in their programme.

No such criticism could be made about Humphrey Lyttelton who was heard with his band at a private function organised by the advertising agency Everett's, Drury Lane. Lyttelton has done more than any other British musician to spread the good word of jazz to to the non-jazz public. He does it consumately well in deeds and words. For over 30 years he has led bands which have msintained a high level of musicianship. His latest seven-piecer is no exception. A constantly swinging unit, it ia full of surprises and covers a wide spectrum, on this occasion from Lyttelton's own feature on "My Man" to the breakneck version of "Doggin' Around." In between came solo features for most of the sidemen, notably trombonist Pete Strange with an outstanding examination of "Sophisticated Lady" and Bruce Turner with his own tune "Jump"—which did!

Riffs are blown gently behind soloists, a simple but effective device—why don't more bands employ it? The sets are full of variety and the musicians look as if they are really enjoying themselves and glad to be playing jazz: an example to all jazzmen, superstars or not.

## Pop over the holiday

**Antony Thorncroft**

December has become the month when all the major pop bands play London, competing for the seasonal spending spree; but also among themselves to see who can attract the biggest audiences and the most acclaim. To show their appeal they perform at Wembley Arena, the largest possible venue, but one that sorely tries the spectator and their own musical talents.

Catching Culture Club, Wham! and The Thompson Twins in two weeks has exhausted the attractions of Wembley for some time. So much depends upon whether you are close enough for the bands to look human rather than match-stick figures observed from a distant prospect.

Culture Clnb tried to overcome the problem by having a giant video screene, but despite this, and an array of costume changes by Boy George, presented the most disappointing concert. The lsd was unsure of himself, or perhaps it is that his novelty has worn thin, exposing the shallowness of much of his material. He needed the towering presence of backing singer Helen Terry to bounce off and, lacking her, seemed rather limp.

Wham! by contrast are in full flood. They used the giant screen too but only to show off their old pop videos and the ecstatic responses of fans on their U.S. tour during their interval. But George Michael is the best writer of British soul and their optimistic view of young life now, conveyed in their catchy songs, makes for a happy concert.

The other half of the duo, Andrew Ridgely, contributes little musically but is essential as master of ceremonies for Michael who last year proved the committed critics wrong by adding a tasteful love song, "Careless Whisper," to his slick disco sounds aimed solely at the feet.

*The Thompson Twins* offer a more mature pop mnsic, hut writer Tom Bailey knows that a singalong riff is what it is all about. Despite a mechanical breakdown on the night I saw them the Thompson Twins used the theatricslity of rock to the greatest effect with a mountain of dry ice and a mood-making light show. The trio lacked the personality of their Wembley predecessors and hide behind a stylish form—fancy clothes, striking hair, a silhouette accompaniment for some songs—to compensate for flimsy content. But now that pop has replaced traditional pantomime as a Christmas treat for kids their extravaganza approach was suitably seasonal.

# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Dec 28–Jan 3

## Theatre

### NEW YORK

**Cats** (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

**42nd Street** (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

**Torch Song Trilogy** (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

**Dreamgirls** (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

**Brighton Beach Memoirs** (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

**A Chorus Line** (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

**The Real Thing** (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

**Glengarry Glen Ross** (Golden): The Chicago cast from the Goodman Theatre provided David Mamet with a Pulitzer Prize for his latest work that pits fast-talking real estate salesmen against the world and each other. (239 6200).

**Noises Off** (Brooks Atkinson): The closest Broadway gets to the British farce tradition is this import of Michael Frayn's funny backstage view of all the slamming doors and dropping drawers. (245 3430).

### WASHINGTON

**Crossed Words** (Folger): A Christmas season pantomime is not much of an American tradition, but with John Neville-Andrews, an English head of the company, and the Globe Theatre as the setting, there is hope it can still catch on. Ends Jan 6. (546 4000).

### LONDON

**The Real Thing** (Strand): Jenny Quayle and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

**Starlight Express** (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rustling around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

**42nd Street** (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

**Sunday in the Park with George** (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

**Mother Courage** (Barbican): Fine RSC presentation by the design team of Cats – John Napier and David Hersey – with Judi Dench as a scavenging, music hall and finally moving Courage pushing her elaborate cart of stage machinery through the Heavyside Layer. Howard Davies directs, good support from Trevor Peacock, Stephen Moore and Zoe Wanamaker. (628 8795).

**On Your Toes** (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

**Daisy Pulls It Off** (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a musing school hymn. Spiffing if you're in that sort of mood. (437 1592).

**Phedra** (Old Vic): Glends Jackson remarkable as the nearly incestuous tragic queen in a thrilling production by Philip Prowse. Costumes of shot silk and taffeta, and Robert David MacDonald's translation bravely takes on the challenge of Racine's untranslatable Alexandrines. Gerard Murphy, Tim Woodward and Georgina Hale in a strong cast. (928 7616).

**Two Into One** (Shaftesbury): Donald Sinden and Michael Williams head the cast of a blissfully funny farce by Ray Cooney in the old Whitehall tradition. An irate manager, Lionel Jeffries, declares: "There's far too much sex going on in this hotel and I'm not having any of it." Not to be missed. (379 5399).

**Balm in Gilead** (Minetta Lane): John Malkovich's energetic but nostalgic revival of an early Lanford Wilson play brings back the wide-eyed, drugged out 1960s and 70s to the accompaniment of Bruce Springsteen songs. (420 8000).

FINANCIAL TIMES
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Wednesday January 2 1985

# Mr Reagan's second term

WITHIN the next month President Reagan will take a number of steps that will begin to define the path he wants his second Administration to take. His Secretary of State will have met Mr Gromyko in Geneva. He will have given his own first Press conference for almost six months (it is curious that the Great Communicator should have given fewer Press conferences than any President since Herbert Hoover). He will have reported formally to the Congress on the State of the Nation. And he will have sent up his new budget. That, obviously, will be a basic text for those who want to forecast the Administration's specifically economic policies and we shall be looking at it in that context on other occasions. But it will also be rich in hints about the choices the President has made from the whole menu of policies put up to him by his advisers. Taken in conjunction with the other evidence that will become available during January, the way the debate over the budget has been resolved draws the main outlines of presidential strategy for the second term, not only in the narrow realm of what is known as "economic policy," but for the most important foreign policy issues as well.

After the election, as the President and his advisers took the basic budget judgments, it was clear that the most critical of these would be how seriously to take the potential danger of the budget and balance of payments deficits. Two months later, we have our answer. While giving lip service to the need to reduce both, the Administration has ignored one opportunity after another of taking effective action to do so. The last serious possibility of reducing the swelling budget deficit was afforded by the unveiling of the Treasury's long-term plans for tax reform, and by the debate over cuts in defence expenditure. With one voice, the Administration has gone out of its way to insist that tax reform will not mean any increase in revenue. And the President personally, just before Christmas, unambiguously rejected the serious defence spending cuts pleaded for by his budget director, Mr Stockman, and chose instead the insignificant cut offered by his Defence Secretary, Mr Weinberger.

There are those who are surprised by this. They have no reason to be so. There was a good deal of superficial talk, after the election, about how we were going to see a "new Reagan"—a man who was said to have his eye not on the ballot box but on the history books, and therefore, though the step is hardly logical, more intent than before on reaching an arms control agreement with the Soviet Union.

The contrast was always a naive expectation. For one thing, the history books have a way of showing respect to those who do as well at the ballot box as Ronald Reagan did in November. The President of the United States for the next four years, in any case, will not be a new Reagan, but the old one.

Ronald Reagan's view on how to deal with the Soviet Union was formed a long time ago. Well before he was President, he was committed to the idea that the U.S. should talk to the Soviet leadership only from the greatest possible strength and with the greatest possible scepticism. More specifically than that: he has long believed that the U.S., as the rival with the stronger economy, might even be the gainer from a prolonged period of intense competition.

As early as 1978, he was quoting with approval in speeches the idea that the choice for the U.S. might be between an arms race which the U.S., with its economic superiority could not lose, and an arms control treaty that would confirm "that the race is over, and that we have lost it."

### Distrust

Such a position may be stark, but it is the one the President has always taken. Is it compatible with the President's newly professed desire for serious and fruitful talks with the Soviet Union? We shall see. The Soviet Union, in any case, should be under no illusions that Mr Reagan has abandoned his lifelong distrust of its intentions and its behaviour. Recently Soviet leaders have missed no opportunity to try to persuade Washington to bargain away the Strategic Defence Initiative—the so-called "Star Wars" proposals for shooting down ballistic missiles in space. They are probably wasting their breath. The President is willing to find out what they have to say. But in the meantime they can be sure that he has every intention of keeping right on building the Strategic Defence Initiative, and the MX missile and any other strategic weapons the Pentagon wants—so long as the Congress will let him.

*It is a disquieting prospect* for the President's European allies, who remain deeply sceptical that the U.S. budget deficit can be, or should be, sustained and regard the SDI as more likely to re-ignite the arms race, with all the attendant costs and dangers, than render it obsolete.

# High hopes for the Third World

PERHAPS the most extraordinary, and certainly the most encouraging, economic development of the past 12 months has been the turnaround in the fortunes of the developing countries. After three years of economic disasters, the situation remains critically dangerous in much of Latin America and Africa; yet there are reasons to hope that one day, history may look back on 1984, not only as the final year of the worst economic crisis in the Third World's experience, but also as the beginning of a new era of durable economic and social progress.

The erosion, or outright collapse, of failed economic philosophies and entrenched political interests can be seen in much of Latin America, in parts of Africa and even perhaps in China. The economic shocks of the past few years have forced many third world countries to face up to the costs of irrational industrial intervention, incompetent economic planning and corrupt and stifling political structures. As a result, there are signs that a long process of evolution has begun towards more market-oriented and pluralistic forms of social organisation.

These signs of a growing political maturity, tentative though they are, provide the firmest foundations for hope that the difficult adjustment processes imposed by the International Monetary Fund on many developing countries will ultimately succeed in their main objective; which is not just to ensure the solvency of the international banking system, but to create the conditions for sustainable worldwide economic growth.

The balance of forces in many developing countries remains desperately precarious, however.

Although there is no world economic recession on the horizon, it may well be that 1984 was the best year of a worldwide economic cycle, and it is all but certain that the cyclical growth peak of the U.S. economy has now passed. About 85 per cent of the increase in Latin America's exports between 1982-84 went to the U.S. market; yet the banking community appears to require that the Latin American debtors will maintain trade surpluses at or near their 1984 levels at least until the end of the decade. It remains to be seen whether such enormous and consistent surpluses will prove compatible with a resumption of rapid economic growth in the debtor countries—or with the big reduction in the U.S. trade deficit which may eventually be forced on the Reagan Administration.

Even for the Far Eastern economies, whose remarkable successes have helped to inspire the upsurge of interest in market-orientated policies throughout the Third World, there are grave dangers posed by the present structure of world trade, with its excessive dependence on U.S. current account deficits of over $100bn a year.

The problem is not just financing these deficits. The policies adopted by many developing countries under IMF guidance have laid the foundations for what the IMF describes as a "long-term process of shifting a broad range of manufacturing activities from industrialised to developing countries." Ultimately, this process should benefit everyone, but to succeed it will require great forbearance from protectionist measures in the industrialised world. This in turn will depend on sustained and better-balanced growth in America and Europe. Free trade may also require the resumption of large financial flows to the developing countries to restore their capacity to import from the industrial world. As yet, it would be rash to translate the high hopes for developing countries into confident expectations.

Forecasts 1985

# So far so good—but it all hinges on the deficit


## THE U.S. ECONOMY

By
Martin Feldstein

THE most important American economic event of 1985 will occur not in the financial and product markets but in Congress and the White House. The critical task for 1985 is to enact legislation to shrink the enormous budget deficit that currently clouds America's economic future. In comparison to the tense uncertainty of this political challenge the near-term evolution of output and prices in the U.S. is likely to be quite unexciting.

Despite the sharp slowdown in economic activity from more than 8 per cent real GNP growth in the first half of 1984 to less than a 2½ per cent rate in the second half of the year, the economy is likely to go on expanding at a rapid enough pace during 1985 to shrink the current 7.2 per cent unemployment rate even further.

The strong optimism of consumers and the recent decline in interest rates are together likely to keep total demand expanding at a rate of more than 3 per cent during the coming 12 months. The *drain* on domestic demand that occurred in 1984 because of the doubling of the merchandise trade deficit, is likely to be virtually arrested in 1985 as exports to Europe and Latin America rise and the growth of U.S. imports slows.

The continued modest rate of inflation stands in sharp contrast to the warnings of many monetarist economists as recently as last summer that the rapid expansion of money in 1983 would lead to double digit inflation by the end of 1984.

**A decline in the dollar at some point is inevitable**

In fact, prices have been rising at an estimated rate of less than 4 per cent during the second half of 1984 and only 2.9 per cent during the final quarter of this year. The absence of a sharp *rise* in inflation tends to confirm the view of many of us that the rapid increase in the monetary aggregates in 1983 was absorbed without generating inflationary pressure because the 1983 changes in banking rules had a comparably large increase in the demand for money.

The combination of the 1984 rise in the dollar and the continuation of economic slack in the months ahead is likely to be sufficient to keep inflation under control in 1985.

Once again substantial attention focuses on the possibility of a dollar decline during the coming year. America's present current account deficit of $100bn is clear evidence that the dollar is above its equilibrium level and must decline in the future. A decline in the dollar at some point in the future is inevitable because foreign investors will not be willing to go on indefinitely adding to their holdings of dollar securities at the current pace.

To reduce the capital inflow substantially means a correspondingly large reduction of the U.S. trade deficit and that will require a more competitive dollar.

When the dollar comes down, its decline will have a profound effect on the world economy. In Europe, a shrinking dollar will mean lower net exports, less inflationary pressure, and the possibility of reduced domestic interest rates. In Latin America, the dollar decline will mean a comforting reduction in the value of foreign debt relative to export earnings.

For the U.S. economy, a decline in the dollar means not only a smaller trade deficit but also a reduced inflow of capital into the U.S. The current inflow of foreign capital offsets some 50 per cent of the government's borrowing, thereby maintaining investment and keeping real interest rates in the U.S. from rising even higher than they already have.

Without the current capital inflow, net investment in the U.S. would have to be cut by more than one third. The impact of the future dollar decline therefore depends critically on what is happening concurrently to the budget deficit.

*If* the government *is* continuing to borrow the enormous sums that are now projected, the decline of the capital inflow from abroad would require a corresponding fall in U.S. investment and a resulting rise in U.S. real interest rates. But if the dollar falls because the budget deficit has been brought under control and the future government borrowing needs reduced, the decline in the dollar would be associated with lower interest rates and increased investment as well as with increased net exports.

The result would be a more balanced and healthy economic recovery.

The prospects for significant legislation in 1985 to reduce the future budget deficits were improved in the past few months by the publication of statistics showing that economic growth has slowed substantially.

As long as the economy was growing at an annual rate of more than 7 per cent, the super-optimists could claim that economic growth alone might eliminate future budget deficits. But now none of the President's advisers, not even Treasury Secretary Regan, is claiming that growth alone will do the job. There is a clear agreement that tough legislation will be needed to shrink the deficit in the years ahead.

The President and his advisers have set a goal of reducing the budget deficit from the current 5+ per cent of the GNP to 4 per cent of GNP in the 1986 fiscal year, 3 per cent of GNP in 1987, and 2 per cent of GNP in 1988, with the aim of achieving a balanced budget by early in the next decade. To reach that goal requires cutting the projected 1988 deficit by about 2.5 per cent of GNP or some $120bn.

**'The fundamentally sound condition of the American economy today makes it likely that any turndown would be both short and shallow'**

The plan for spending cuts that the administration is currently preparing may achieve the necessary deficit reduction on paper but it will not do so in reality. The President simply cannot obtain the votes in Congress to pass all his proposed deep cuts in programmes for the poor and middle class. Although the Congressional Republicans and some Conservative Democrats will support the President in his attempt to cut down non-defence spending, they will not follow him to the point of political suicide. Moreover, with the more liberal Democrats in control of a majority of the House of Representatives, many spending cuts will be impossible to legislate.

In the end, the Congress is likely to enact only about half the cuts in non defence spending that the President proposes, or about $40bn a year by the end of the decade.

One barrier to greater spending cuts is that Ronald Reagan has already achieved unprecedented reductions in non-defence spending during his first term. In 1980 federal government *spending* on *all* non-defence programmes accounted for 15.1 per cent of GNP.

In the current fiscal year these programmes will consume only 13.5 per cent of GNP. Even with no further legislation, the rules that are currently on the books imply that by 1989 this GNP share will be down to 12.3 per cent or back to the same share that prevailed in the early 1970s.

The likely unwillingness of Congress to enact the President's budget proposals must be understood in the context of the American political system. With a Presidential system of Government and no party discipline, the President's failure to achieve his proposed budget does not represent failure in any larger sense. The budget that a President presents to the Congress cannot be compared with a British budget. Rather, it must be seen as the opening bid in a complex and very public negotiation. The President's moves in this negotiation are designed not only to achieve as much of his substantive goal as he can, but also to give him the political credit for popular positions while putting the blame on his opponents for unpopular ones.

The *outcome of these negotiations* between the President and the Congress is likely to be a compromise in which Congress supplements the non-defence spending cuts with reductions in the growth of defence outlays and with increases in future tax revenue. It would not be unreasonable to expect that the Congress will reduce the projected 1989 defence outlays by about 10 per cent or $40bn. A 5 per cent increase in total personal and corporate taxes would add $35bn in additional 1989 revenue, about the minimum revenue increase that Congress would insist upon as the price for cutting the programmes of lower income beneficiaries.

The direct effect of these changes in outlays and receipts would be to reduce the 1989 deficit by $115bn. The stream of deficit reductions between now and the end of the decade would reduce the end-of-decade national debt by about $300bn, resulting in a cut of about $30bn a year in debt service costs. The total deficit reduction of about $145bn would reduce the likely 1989 deficit to between $100bn and $150bn or between 2 per cent and 3 per cent of GNP.

Although deficit reductions could become mired in political wrangling and end in a stalemate, I am more optimistic than that. I believe that Congress in 1985 is likely to enact legislation that will reduce the future deficits by amounts that grow to some $150bn a year by 1989. And it wouldn't be totally surprising if Congress insisted on larger tax increases or found ways to slow the growth of social security retirement benefits that the President could accept as consistent with his electoral promise not to reduce future social security benefits.

With these additional changes, the budget could be much close to balance by the end of the decade.

If Congress and the President do succeed in 1985 in legislating substantial deficit reductions for the years ahead, financial markets are likely to signal their approval and relief by a significant fall in medium term and long term real interest rates. And with these interest rates down, the exchange value of the dollar would also decline. Lower interest rates would mean increased investments in 1986 and beyond. Similarly, a lower dollar would mean a fall in the U.S. trade deficit in the years beginning with 1986. If all goes well these increases in investments and in net exports will provide the stimulus that offsets the direct contractionary effects of deficit reduction.

It is, of course, possible that a mismatch in timing between the direct contractionary effects of the deficit reduction and the off-setting expansionary effects of the induced fall in interest rates and the dollar would cause a temporary economic turndown in 1986. But the fundamentally sound condition of the American economy today makes it likely that any such turndown would be both short and shallow. With neither an excess of recent investment in inventories, capital goods or construction nor a rising rate of inflation that needs to be reversed by a tough monetary policy, the economy should be able to rebound quickly from any economic turndown caused by a mismatch in timing.

**If the budget negotiations end in stalemate . .**

Although there are no sure things in American politics I start the new year with the belief that it is more likely than not that 1985 will see significant legislative steps to reduce future future deficits. If the Congress and the President can agree on legislation that provides predictable, reliable and substantial reduction of deficits in the years ahead with prospects for sound growth with low inflation are very good. But if the budget negotiations end in stalemate, the projected deficits will have very serious adverse consequences, for the United States and for our economic partners. Those who are concerned with the economic future will therefore be watching Washington with *unusual* interest in the months ahead.

*The author is Professor of Economics at Harvard and a former chairman of the President's Council of Economic Advisers.*

# Men and Matters

## Career open in fraud

The present extent of fraud in the City of London has recently been condemned as "quite unacceptable as well as being very damaging to the many honest firms" by Sir Michael Havers, the Attorney-General.

His comments will be much in the mind of Sir Kenneth Newman, Commissioner of the Metropolitan Police, this week as he reviews a short-list of candidates among his senior officers to choose a new head for the Fraud Squad.

Properly called the Metropolitan and City Police Company Fraud Department, the squad, which is to be found in offices in Holborn, needs a strong man, well-equipped for his specialist duties, as the City enters a period of unprecedented change.

Yet changes at the top of the squad have been frequent lately. The new commander will be the third in the job within the space of a year.

Commander Graham Stockwell left command of the squad earlier this year to help run the Hong Kong independent commission against corruption. He was replaced by Commander William Hucklesby who previously had been head of the Metropolitan Police anti-terrorist squad. City wags suggested he had been drafted in to contain the 1986 "Big Bang."

Now Hucklesby is off to spend a year at the Royal College of Defence Studies before moving on to other police duties.

Once again a policeman equipped to run the Fraud Squad is being sought.

Chancellor Lawson has included in his framework for innovation in the City a new Fraud Investigation Group (FIG) within the department of the Director of Public Prosecutions, as underpinning for the new regulatory system for investor protection.

The Institute of Chartered Accountants in England and Wales, meanwhile, has decided to do its bit in the fight against fraud by setting up a working party to examine the nature of fraud in business, and to look at prevention, detection, and investigation.

The Fraud Squad is in effect a national police service nowadays. It is regularly called in to assist provincial forces with cases requiring specialist financial skills. A number of accountants feel the squad's work could be further improved if it were given a new format to work more closely with experienced practitioners of their trade.

"I'm thinking of starting a campaign to weed out incompetant Ministers of Education"

## Solomon's wisdom

"I have a very strong feeling about moderate change, that you do not move even in the right direction at too fast a speed. That is my philosophy as a public servant," says Anthony Solomon, the *man* who has stepped down as president of the New York Federal Reserve Bank on reaching retirement age.

Solomon moved to the New York Fed in 1980 from the U.S. Treasury where he was under secretary for monetary affairs in the Carter Administration. He promptly found himself looking at many of the same problems—particularly inflation and third world debt—from a different perspective, that of a central banker rather than a politician.

After a career on both sides of the fence he is in no doubt that the central banker's perspective is a valuable one which complements rather than undermines the politicians at the Treasury. Top government officials, he says, are likely to be rushing from crisis to crisis without much time for reflection whereas the central banker has time for deeper thought.

Solomon has become wary of political influence upon monetary policy. There is something very useful for the country to be able to get a group together such as the Fed's policy-making open market committee, he says.

His view of the Fed is not one which would necessarily be endorsed in the Reagan White House. But it is one the public is likely to hear more of it, as seems likely, the president and his supporters intensify their attacks on the central bank's independence.

Solomon, for his part does not intend to retire into silence. He gives warning that he is looking for a part-time post which will give him a "public platform."

## Site marked

After more than 20 years of wrangling broad agreement has been reached upon a European Community Trade Mark system. All concerned swear it will be operational by the late 1980s.

Which is just the prologue to another struggle. Where, in a community that now sprawls from Ireland to Greece, should the Trade Mark Office be built?

My information is that there is a good chance of it gracing one of the best sites left in central London—the old St. George's Hospital at Hyde Park Corner.

For more than a year a committee, chaired by Iain Mills, Conservative MP, has been co-ordinating British efforts to secure the office for London. It would be the first EEC institution in London and, apart from the prestige, would create some 400 new jobs directly, plus more than 2,000 jobs indirectly, in the offices of trade mark agents, barristers, computer consultants and the like.

The Duke of Westminster's Grosvenor Estate would like the old hospital site, which is on the edge of its Belgravia estate, to be occupied by something of high purpose and international status.

Recent history plays a part in that view. There was a political row—quite unbecoming in the view of the Duke and his advisers—after the hospital closed five years ago and the estate regained part of the freehold (worth millions of pounds) under an old agreement at the original £27,00 purchase price.

The British Government is keen to get the Trade Mark Office and the Treasury is believed to have set aside adequate funds to support the bid. However, following its principles, the Government wants to also involve the private sector and local government as far as possible.

The best-laid British plans to get the office could be scuppered still by the persistence of Community rivals. Munich, Strasbourg and The Hague are all competing keenly.

When the Community Patent Office—the last great prize—was up for grabs the West Germans virtually bought it for Munich with financial inducements. Will the promise of a unique London site, together with Treasury gold, add up to a winning bid for Britain this time?

## Price wise

In Throgmorton Street they are telling a tale about Mrs Thatcher.

Out walking one day with her secretary she stopped in front of a shop with a large notice, "Jackets £15, trousers £10."

"See," she said. "How can people say I have not countered inflation?"

Secretary: "But that is a dry cleaners."

**Observer**

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 9½% | C. Hoare & Co. .......† | 9½% |
| Allied Irish Bank | 9½% | Hong Kong & Shanghai | 9½% |
| Amro Bank | 9½% | Johnson Matthey Bkrs | 9½% |
| Henry Ansbacher | 9½% | Knowsley & Co. Ltd | 10½% |
| Armco Trust Ltd. | 10½% | Lloyds Bank | 9½% |
| Associates Cap. Corp. | 9½% | Mallinhall Limited | 10 % |
| Banco de Bilbao | 9½% | Edward Manson & Co. | 10½% |
| Bank Hapoalim | 9½% | Meghraj and Sons Ltd. | 9½% |
| BCCI | 9½% | Midland Bank | 9½% |
| Bank of Ireland | 9½% | ■ Morgan Grenfell | 9½% |
| Bank of Cyprus | 9½% | Mount Credit Corp. Ltd. | 9½% |
| Bank of India | 9½% | National Bk. of Kuwait | 9½% |
| Bank of Scotland | 9½% | National Girobank | 9½% |
| Banque Belge Ltd | 9½% | National Westminster | 9½% |
| Barclays Bank | 9½% | Norwich Gen. Tst. | 9½% |
| Beneficial Trust Ltd. | 10½% | People's Tst. & Sv. Ltd. | 10½% |
| Brit Bank of Mid. East | 9½% | Provincial Tst. Ltd | 11% |
| ■ Brown Shipley | 9½% | R. Raphael & Sons | 9½% |
| CL Bank Nederland | 9½% | P. S. Refson | 9½% |
| Canada Perm'nt Trust | 9½% | Roxburghe Guarantee | 10 % |
| Cayzer Ltd | 9½% | Royal Bk. of Scotland | 9½% |
| Cedar Holdings | 11 % | ■ J Henry Schroder Wagg | 9½% |
| ■ Charterhouse Japhet | 9½% | Standard Chartered ...‖ | 9½% |
| Choulartons | ** | Trade Dev. Bank | 9½% |
| Citibank NA | 9½% | TCB | 9½% |
| Citibank Savings ......¶ | 10½% | Trustee Savings Bank | 9½% |
| Clydesdale Bank | 9½% | United Bank of Kuwait | 9½% |
| C. E. Coates & Co. Ltd. | 10½% | United Mizrahi Bank | 9½% |
| Comm. Bk. N. East | 9½% | Westpac Banking Corp. | 9½% |
| Consolidated Credits | 9½% | Whiteaway Laidlaw | 10 % |
| Co-operative Bank ...* | 9½% | Williams & Glyn's | 9½% |
| The Cyprus Popular Bk | 9½% | Wintrust Secs. Ltd. | 9½% |
| Dunbar & Co. Ltd. | 9½% | Yorkshire Bank | 9½% |
| Duncan Lawrie | 9½% | | |
| E. T. Trust | 10 % | | |
| Exeter Trust Ltd | 10 % | | |
| First Nat. Fin. Corp. | 11 % | | |
| First Nat. Secs. Ltd. | 11 % | | |
| ■ Robert Fleming & Co. | 9½% | | |
| Robert Fraser & Ptns. | 10 % | | |
| Grindlays Bank .......‡ | 9½% | | |
| ■ Guinness Mahon | 9½% | | |
| ■ Hambros Bank | 9½% | | |
| Heritable & Gen. Trust | 9½% | | |
| ■ Hill Samuel ......§ | 9½% | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.25%. 1 month 7.00%. Fixed rate 12 months £2,500 8.75%. £10,000 12 months 9.00%.
† 7-day deposits on sums of under £10,000 6¼%, £10,000 up to £50,000 7¼%, £50,000 and over 8%.
‡ Call deposits £1,000 and over 6¼%.
‖ 21-day deposits over £1,000 7¼%.
¶ Mortgage base rate.
§ Demand deposits 6%.
** See Provincial Trust Ltd.

## Forecasts 1985

# A year when everything just could come right

THE BRITISH ECONOMY

By Walter Eltis

THERE IS a remarkable consensus among forecasters about the probable performance of the British economy during 1985. All are agreed that growth of around 3 per cent will be achieved, while most place inflation in the 4 to 6 per cent range.

If the forecasters are broadly correct then, as the chart shows, Mrs Thatcher's Government will achieve as much growth in the real gross domestic product in the six years from 1979 to 1985 as her predecessors achieved in the previous six years. The chart shows how strong output growth has proved to be since 1981, and how this should exceed growth in the previous 1975 to 1979 cyclical upswing. Mr Callaghan's Government achieved 10 per cent growth from the first half of 1975 to the first half of 1979; Mrs Thatcher's has already achieved 8 per cent in the three years from 1981 to 1984, and if output does indeed rise a further 3 per cent from 1984 to 1985, then the total growth in the four years from 1981 to 1985 will be 11 per cent.

The economy is not merely growing faster than in the recovery period of Mr Callaghan's Government, but with inflation, the budget, the balance of payments and the unions firmly under control, recovery should be sustainable for many more years. In 1979 inflation accelerated sharply after the winter of discontent, and the budget deficit widened as public expenditure growth increased. The economy showed all the symptoms of a Keynesian "go" and these have invariably been followed by a Keynesian "stop," so 10 per cent growth in four years was almost as much as the previous recovery could have amounted to. In contrast Mrs Thatcher's 11 per cent recovery should gain momentum as capital investment and company profits continue to advance, so the economy's potential supply should continue to rise in line with effective demand.

Real industrial investment was actually 13 per cent higher in the third quarter of 1984 than in the third quarter of 1983, and the Department of Trade and Industry predicts a further rise of 8 per cent from 1984 to 1985. The actual rise may well exceed this forecast.

The profits of industrial and commercial companies (other than North Sea oil) rose by no less than 23 per cent from the first half of 1983 to the first half of 1984, so these increased 17 per cent in real terms. A further real increase of perhaps 10 per cent is to be expected in the next 12 months. This will assist research and development spending to enable our better companies to continue to move upmarket, and underpin the investment boom that should allow output growth to be sustained.

*The demand for the output of* manufacturing companies is heavily dependent upon overseas sales, and non-oil exports actually increased 9½ per cent in volume in the first three quarters of 1984 in comparison with the same months of 1983. The respondents to the most recent CBI surveys are even more optimistic about export growth then they were a year ago, so this should certainly be sustained. Imports will also rise sharply if output growth continues, but Britain's underlying *balance of payments* should strengthen.

Our net overseas assets exceeded liabilities by £30½bn in 1981, by £43½bn in 1982 and by £56bn in 1983. This means that our true income stream from overseas investment must now be rising sharply, but official figures suggest that our net income from interest profits and dividends was lower in the first half of 1984 than in the first half of 1983. That is of *course absurd*, and *the Central* Statistical Office will revise Britain's invisible earnings upwards at some point in 1985 to show that our current account in 1984 was far stronger than the present figures indicate, and the 1985 current account will be reinforced by a growing income from Britain's rising overseas wealth.

The 1985 current account will also strengthen as a result of a diminishing need to divert oil to power stations. This (together with rising coal imports) has been costing the 1984 current account up to £350m a month, and the need to use *oil in the* power stations will diminish, either as a result of an official end to the miners' strike, or because a cessation of the overtime ban in the Midlands renders the antics of the Yorkshire leadership increasingly irrelevant.

The transformation of industrial relations which is to be expected in 1985 could be a most significant new development with considerable potential to improve Britain's economic performance in ways which models cannot readily predict. During 1984 the militant elements in the trade unions could only produce dock and BL strikes of less than a fortnight, while the persistence of the miners' strike appears to be *splitting the NUM* into a militant union and a moderate one in the more productive coalfields with which the National Coal Board will eventually be able to negotiate sensible agreements. These examples should keep the *militants* especially quiet, since any attempt to assert influence will either demonstrate their impotence, or destroy the future effectiveness of their unions.

All this suggests that the British economy *should be set* for smooth growth at rates somewhat faster than those achieved during 1984. That is not to say that a fall in unemployment is actually to be expected. Mrs Thatcher's recovery has so far raised output per worker at an annual rate of 3.1 per cent (from 1981 to 1984) and total output at a rate of only 2.7 per cent, so the employment the economy has been able to provide has fallen by 0.4 per cent per annum.

As the labour force has been growing, unemployment has been rising still faster than this. During Mr Callaghan's recovery in contrast, output per worker rose at only 2.3 per cent per annum, while aggregate output rose at an annual rate of 2.5 per cent, so this was compatible with a rate of growth of employment *of 0.2 per cent. Thus the rising* unemployment under Mrs Thatcher has owed something to the exceptional rate of growth of productivity, and annual output will need to grow significantly faster than 3.1 per cent if *unemployment is to start to fall*. Many hope that the 1985 budget will begin to steer the economy towards the faster rate of growth which is now needed to bring unemployment down.

Nowadays, the details of a budget are generally published in the Press in the weekend before budget day, but for 1985 the main elements were revealed as early as last month. A few weeks ago Mr Lawson announced that he would cut taxes substantially, while the Prime Minister has explained the form which the tax cuts will take. It is apparent that income tax thresholds will be raised by a considerable percentage in excess of inflation. That suggests an increase in the point at which income tax starts end of the various tax bands of 10 per cent in excess of inflation, and that will cost about £1.8bn (in addition to the cost of indexing the tax bands) during 1985-86. The Prime Minister has ruled out a major increase in the range of goods to which VAT will apply, or a change in the tax-deductibility of mortgage interest, so *Mr Lawson will have to discover* a way of finding £1.8bn.

This should present no difficulties if the price of oil stays up and the dollar in which oil prices are measured also remains high. The Autumn *Financial Statement* substantially underestimated prospective tax revenues with the result that Mr Lawson has a considerable margin in hand for his tax cuts.

If the price of oil weakens or expenditures rise unexpectedly rapidly, he *will* need to use his intelligence and ingenuity to make it appear that he can cut taxes without breaching the medium-term financial strategy. During 1983-84 he borrowed the Italian idea of collecting 15 months' VAT (on imports) in 12 months, and there are other equally subtle ways of achieving the seeming impossibility of cutting rates of taxation and reducing the deficit at one and the same time. If the price of oil keeps up, Mr Lawson will not need to resort to Italian devices, but he will cut income tax come what may.

He has in fact been expanding demand quite rapidly without breaching the medium-term financial strategy. Sales of government assets all reduce the PSBR, so Mr Lawson has been able to use the sale of British Telecom to cut taxes. To a Keynesian tax cuts financed by mere asset transfers will expand demand in all the ways which Keynesians happily predict, but the medium-term financial strategy is not breached because the sale of British Telecom and suchlike reduces the Government's need to borrow. During 1985 more asset sales will finance more Keynesian tax cuts.

Mr Lawson is also continuing to expand the real money supply quite quickly. Here his device has been to cease to target M1 and PSL2 which are growing rapidly, and to confine the official targeting to M0 and £M3 which have grown relatively slowly (until the 2½ per cent November surge in £M3 which will be *partly reversed* in December and January). The consequent increase in the real money supply will sustain the buoyancy of financial markets. The table shows how rapidly the real money supply is continuing to grow, and this, together with a continuation of tax cuts, should do about as much as a government actually can to aid expansion.

With all this help from Mr Lawson it may emerge that those who predict only 3 per cent growth in 1985 will prove pessimistic. 1985 could be the year in which the economy *really begins* to come right as a combination of union moderation, fiscal and monetary expansion, a growing capital stock, and rising profitability all play their part in a restoration of the economy. But such optimism is conditional on a lack of disturbance from outside. Britain's recovery is far too dependent on world trade to survive an American contraction or serious banking failures. But if these are avoided, and the risks are no greater than a year ago, then 1985 should see considerable advances in the British economy.

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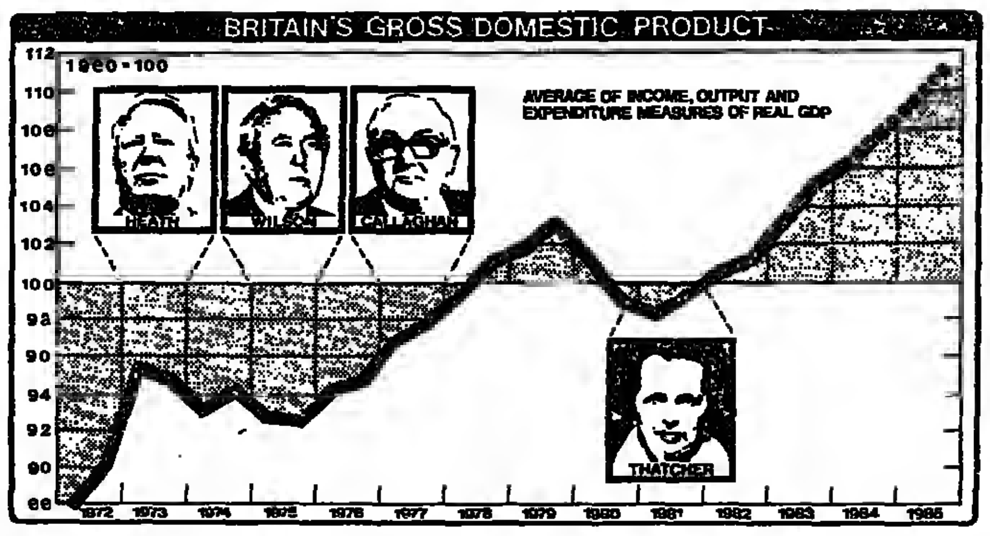



**UK REAL MONEY SUPPLY**
**(Annual percentage changes)**

| | M1 | £M3 | PSL2 |
|---|---|---|---|
| 1979 2nd qtr to 1980 2nd qtr | −12.3 | −4.7 | − 7.4 |
| 1980 2nd qtr to 1981 2nd qtr | − 1.5 | +4.4 | + 1.7 |
| 1981 2nd qtr to 1982 2nd qtr | − 1.6 | +2.0 | + 0.2 |
| 1982 2nd qtr to 1983 2nd qtr | +10.1 | +7.2 | + 7.8 |
| 1983 2nd qtr to 1984 2nd qtr | + 9.1 | +3.4 | + 7.1 |
| 1984 February-November | +15.5 | +6.1 | +10.5 |

The increase in the series for M1, £M3 and PSL2 (private sector liquidity) deflated by the rise in retail prices.

# Eurosclerosis—the malaise that threatens prosperity

THE WORLD ECONOMY

By Herbert Giersch

IN the mid-1980s, Europe's economy leaves much to be desired. It lacks the vigour which it had shown in the 1970s. It is less vital than the U.S., and it grows much more slowly than the Asian countries which are pulled by the Japanese locomotive. There is also a sluggishness in former colonial countries that retain a European tradition. Considering that countries in the south of Latin America which have a European culture, notably Argentina, are notorious for slow growth or stagnation, one is led to believe that the world economy, apart from third world poverty, largely suffers from a European disease. We can call it Eurosclerosis.

This malaise became more and more visible in the early 1970s when the European economy, having reached full speed on its march into the welfare state, was hit by shocks: a wage explosion, a sudden increase in the prices for energy and raw materials and rising costs of pollution control. These shocks added up to the great cost push which—together with increasing competition from the newly industrialised countries (NICS)—inevitably depressed profit margins. They impaired capital formation and hence economic opportunities for the future.

The most severe problem of the European Community is unemployment which had been only 2 per cent in the 1960s but doubled in the 1970s. It reached 11 per cent in 1984. Whatever laymen, interest groups or economists of different persuasions may choose to depict as exogenous causes for this unemployment — from higher energy costs to changes in demography or technological advance, I maintain that the chief cause has to be found in the labour market itself. The level and the structure of wages have been too rigid to allow a proper adjustment to the new conditions.

While the U.S. and Japan showed a fair degree of downward flexibility of real wages, Europe's unions were strong enough to resist the required cuts in real wages. The unemployment effect is striking: the U.S. economy employed almost 4 per cent more people of working age in the depression year of 1982 than it did in the boom year of 1980, while EEC employment declined by more than 5 per cent over the same period. Total employment has been going down since then in most EC countries. The exceptions are Denmark, Greece, Italy and the UK.

It is true that the EEC area still uses a higher share of GDP for fixed investment than the U.S. But the effect of this investment on potential output has declined more than in America. This is also related to the pressure of wage costs. In Europe firms have felt compelled to adjust labour productivity to take account of excessive wages rather than direct new investment at creating capacity together with new jobs.

Moreover, excessive wages have induced a bias in favour of labour-saving process innovations, which have helped to defend the production of traditional goods against the new competition from the NICS. The outcome is what trade theorists call a reversal of factor intensities and what for the NICS may amount to an abortion of embryonic jobs.

Government subsidies and protective devices designed to maintain obsolete jobs in Europe have their roots in the same ground and produce the same effect. They force those countries which are in a process of catching up to choose more capital-intensive paths of development. Thus they indirectly contribute to the dilemma of "capital shortage cum unemployment" in the poorer parts of the world.

In Europe the induced bias towards labour-saving innovations makes technical progress appear to be the enemy rather than the friend of mankind. In some countries, such as West Germany, many among the young have become quite outspoken in their view that the progress they observe offers them little or no future. They *feel attracted by movements* which articulate their anti-capitalist feelings. Materially supported by the welfare state, they turn away from the industrial society towards romantic ideals of a world unchallenged by technological change.

Another reaction to unemployment and the wage-induced bias towards labour-saving innovations is the efforts of unions to cut the working week and to reduce the retirement age. This in turn has an effect on technical progress. By giving priority to process innovations that are defensive, it diverts attention and resources from making product innovations that would open up new opportunities for markets in the future.

It is in the field of product innovations that Europe has reason to worry about falling behind the U.S. and Japan, despite all efforts to raise R and D spending. Technological Europessimism is not warranted in the nuclear power and aircraft industries and in satellite launching where massive government support is involved. Nor has Europe's pharmaceutical industry lost its traditionally strong position. But in the application of electronics to new products where small and medium-sized firms have a comparative advantage, Europe lacks the dynamism which the U.S. economy has shown in the creation of hundreds of thousands of new companies. In the final analysis, Europe's weakness is not technological, but institutional.

*Labour market institutions* are one factor behind Eurosclerosis. There was reason to praise centralised wage bargaining when its rigidity made wages lag behind the surprisingly rapid productivity advance in the period of post-war reconstruction and market integration. But when markets slowed down and unions, as well as governments, succeeded in catching up, centralised wage bargaining contributed to an over-shooting. Populist pressures in the political arena led to legislated rigidities. The EEC Commission lists: "The wage determination system, non-wage costs, taxation, minimum wage levels, unemployment insurance, rules governing recruitment and dismissal and the right to strike, pension schemes, the housing market, training and education."

Such rigidities support a labour market structure which forms an obstacle to the entry not only of less skilled workers but also of new *firms. In* contrast to established firms which adjust by shedding the least productive workers these newcomers can hope to attain the productivity levels consistent with the wage structure only after a lengthy process of learning by doing. This is why they so often fail.

Add to these barriers to entry the high marginal tax *rates and their likely depressing* effect on the mobility of labour, on the incentive to achieve, on the enterprising spirit and on the whole economic atmosphere in Europe, and the contrast to the U.S. and the Far East ceases to be a puzzle. The kind of guild socialism which Europe has developed outside and inside the labour market to protect former scarcity rents and to preserve established positions runs counter to the requirements of an evolutionary process which is bound to involve destruction as well as creation.

A number of European countries, not excluding those with a socialist government, have endeavoured to re-establish confidence by pursuing a policy of fiscal and monetary conservatism and a tight incomes policy. This helped to bring down inflation and to start a consumption-led upswing. But a cyclical upswing is no assurance of faster growth and less unemployment in the longer run. And confidence in government is not enough for regaining economic vitality.

Much more needs to be done soon. Even in the capitalist U.S. it took several years for courageous deregulation measures that were started in *the 1970s to be carried* out and to have their full positive effects. Taking into account that Europe has not yet faced squarely the issues of reforming taxes, removing barriers to entry, and freeing trade in old products and new services, one is led to believe that in the process of transition to faster economic growth the old continent is at least half a decade behind the U.S.

Diverse as it is, Europe has prosperous as well as declining regions. The coal and steel industries in the continent's rust belt were the locomotives in previous spurts of economic development, but are now under increasing competitive pressures from the NICS. It may be that many firms will succeed in gaining new advantages by adopting microprocessor technologies, but this will be temporary and at the expense of employment. The young, far-sighted therefore, turn their attention to the more prosperous regions. One finds them by and large in the southern parts of countries north of the Alps and in the northern parts of countries south of the Alps. In their industrial structure they are more decentralised and more closely linked to the information intensive activities that are likely to dominate economic development in the future. The contrast between these two types of regions underlines the need for the kind of structural change which Europe has to master if there is to be prosperity on a broad scale.

*The author is Professor of Economics at the University of Kiel.*

# FINANCIAL TIMES

Wednesday January 2 1985



NEW YEAR INTERVIEW WITH THE BRITISH CHANCELLOR OF THE EXCHEQUER

## Lawson optimistic over interest rates

THE UK economy should continue to show steady improvement in 1985, but this will not be a signal for any relaxation in the fight against inflation, Mr Nigel Lawson, the Chancellor of the Exchequer, says in a special new year interview with the FT today.

He believes lower inflation could make room for tax cuts and reduced interest rates within the guidelines of the present strategy and that this provides a reasonable basis for optimism that unemployment will start to fall.

In his answers, to questions from Max Wilkinson, the FT's Economics Correspondent, Mr Lawson also showed some optimism that the real level of interest rates would decline in 1985.

**Chancellor, you said in November that you were expecting the economy to continue to grow at an underlying rate of about 2½ per cent in 1985 with a small decline of inflation. What are the main dangers in this prospect and your main hopes?**

1984 saw the biggest increase in world output and trade since 1978, together with a continued and widespread fall in inflation. There are some obvious dangers to that happy combination in 1985; in the ultimately unsustainable size of the U.S. budget and payments deficits, in the massive overseas debts incurred by some countries and in the uncertainties of the oil market. But I expect further growth of output and trade, though not as fast as in 1984, without the turbulence in commodity prices characteristic of earlier world recoveries.

At home, I see a broadly based expansion of demand and output continuing through 1985, so taking us into a fifth year of growth since the trough of the recession in the first half of 1981. Dangers would come from any misplaced view that we can afford to behave as if rising prices and costs are no longer a threat. On the contrary, it needs to be understood that, within the financial framework we have in place, it is lower inflation that makes for faster growth of output and jobs.

**You say slower growth in real wages is one of the keys to an improved unemployment outlook. If wages behaviour did become much more restrained, would you be prepared to ease the monetary or fiscal stance?**

There is all too common a misunderstanding about this. Our monetary and fiscal stance is set out in the Medium-Term Financial Strategy, which explains our plans for monetary growth and the public sector borrowing requirement (PSBR). If real wages rose more slowly through a slowing down in nominal wage growth, it would be possible to reduce both interest rates and taxation, while sticking to the same monetary and fiscal stance. Indeed, the scope for such adjustments would then be one important route to an improved outlook for unemployment. Some talk as if reductions in interest rates or taxes in themselves represent an "easing" of the stance, but that is a misunderstanding. As long as monetary growth and the PSBR are unchanged, there is no easing of the strategy. The reduction in interest rates and tax rates would be virtue rewarded, not any kind of U-turn.

**Are you optimistic that unemployment could fall below 2m by the time of the next general election?**

I certainly see no insurmountable obstacles to much lower unemployment. The monetary and fiscal stance, as I explained a moment ago, provides plenty of scope for faster growth of output. There is no reason to expect a major recession as a result of world developments. And there are many signs that both employers and employees realise that there needs to be further flexibility in the use and rewards of labour if unemployment is to fall and our economic potential be realised to the full. I cannot, however, predict how rapidly this process will work itself out. The various measures that we have taken and are taking to improve the efficiency of markets, those for goods and services as well as the labour market will help to speed it up. The speed of adjustment depends crucially on employers, employees and their representatives. But I have no doubt that progress towards solving the unemployment problem will be made.

**Despite the achievements of relatively stable inflation, real interest rates remain very high. Do you see any chance of a breakthrough to lower real rates this year?**

Talk of a "breakthrough" isn't realistic in terms of a return to the very low, often negative, real interest rates experienced in the 1970s. They were neither sustainable nor even desirable.

I would not pretend to know the equilibrium level of real interest rates in present circumstances. But like most people, I suspect we are still some way above that level and I hope to see some reduction in 1985. But it is important to recognise that lower nominal interest rates will produce a sustained fall in real rates only if they can be achieved without provoking a fresh spiral of inflation.

A substantial cut in the U.S. deficit would certainly help. It is hard for us to insulate ourselves from a high international level of real interest rates – even more difficult than "decoupling" nominal rates. Exercising the freedom we do have depends on controlling our own public sector borrowing.

**Does sterling's relative stability in 1984 make full membership of the EMS look more attractive?.**

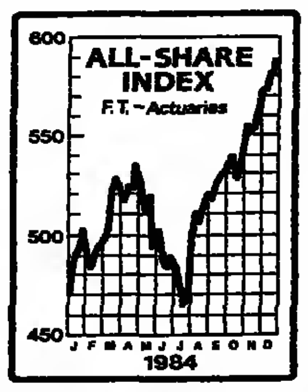
A key feature of the exchange market over the past year has been the strong dollar. The dollar's performance has affected all European currencies. This partly explains the relative stability between them.

But there are important qualifications to that picture. First, sterling has at times fluctuated quite sharply against EMS currencies, reflecting developments in oil prices. We saw that again during December, for example. Second, the EMS has itself also come under some strain in the intermittent periods of dollar weakness. Both sterling and the D-Mark are widely traded currencies, and while the prospects for the dollar remain as uncertain as they are, there would be problems about adding a second internationally traded currency to the mechanism.

THE LEX COLUMN

## Hoping for an action replay

It would take a bold pundit to pick 1985 as the year in which the bull market in equities loses its horns. The animal has been far friskier in the past two years than anyone would have dared to predict, so there was perhaps an element of once gored, twice shy about last week's record-breaking run. The market is also looking forward to a year of steady growth, stable inflation and rising corporate profits, however. Almost a repeat of 1984, in fact, during which equity values rose almost a quarter despite the most serious UK industrial dispute in half a century and far and away the largest offer for sale the market has ever absorbed.




Not that 1985 will be plain sailing. It is anyone's guess how the dollar and sterling will perform – hands up those who correctly predicted the end-1984 parity – and it scarcely needed last week's Opec meeting to remind the markets of the fragility of the official oil price. The U.S. economy is still emitting distinctly ambiguous growth signals, and in the UK the Chancellor of the Exchequer has yet to show that he can set a course of modest reflation without undermining either the value of the pound or his monetary targets.

### Consistent growth

While there is plenty of meat for the bears to chew on, however, the UK economy does seem to be enjoying a phase of unusally consistent growth. Before the end of this year the financial markets may very well become anxious about the prospects for 1986, when it would be only reasonable to expect slower growth all round. Yet, so long as inflation can be held close to the end – 1985 consensus forecast of 5–6 per cent, there are no grounds for supposing that the economy will follow the traditional pattern and fall to bits next Christmas.

Growth projections for this calendar year are inevitably confused by the miners' strike and, to a lesser degree, by uncertainty about the scope for fiscal relief in the Budget. On the working assumptions that the strike ends in the spring and the Chancellor finds room for personal sector tax reductions of about £2bn, the economy should be capable of sustaining real growth of the order of 3 per cent.

About a third of that growth would be attributable to the lagging effect of the miners' strike but, even so, the underlying increase in output looks thoroughly respectable for this stage of an economic recovery. With the current account roughly in balance and productivity gains so far well sustained, the Government's list of New Year's resolutions will probably be unusual for its brevity.

If – and this is obviously a big if – sterling's trade-weighted value stays within hailing distance of its present level and if unit wage costs hold fairly steady in real terms, the UK corporate sector should again sport double-digit growth in pre-tax profits. Even allowing for increased capital spending, stock accumulation and a higher tax bill, dividend growth may fall not far short of twice the rate of inflation.

The corporate sector's unexpected capacity for generating cash and passing it on to shareholders was the key element in last year's market advance and may very well prove decisive in 1985 as well. Perched on a yield of just under 4½ per cent, the London equity market may not represent outstanding value but it was established on almost precisely that yield base a year ago and the yield gap with gilt-edged has not changed much in the interim either.

By happy coincidence the accumulation of corporate liquidity was matched last year by a steady rise in the cash holdings of institutions. This was partly a matter of pass the parcel – the corporate sector handing cash back through takeovers – but the institution also reached self-imposed limits on overseas investment – a magic figure of 15 per cent seemed to be the norm – and were of course stocking up ahead of British Telecom.

Having obtained far less BT equity than they had supposed, the institutions now call on liquid resources of about £9bn which, at almost 5 per cent of total assets, is well above average.

It is a fair bet that the value of cash takeovers will again exceed the sum raised through rights issues this year, leaving the institutions comfortably placed to finance all public and private sector new issues out of cash flow. This kind of analysis is apt to go horribly wrong in a falling market but, at the very least, institutional liquidity should tend to limit the downside risk.

Whether the equity market will also be able to call on support from fixed interest is another matter entirely. Gilt-edged have been stuck in a groove for so long now that a few brokers have given up hope of seeing single digit yields in their own lifetime. The U.S. debt markets offered every encouragement in the second half of last year, but a combination of overfunding and a falling pound contrived to keep the 10 per cent barrier tantalisingly out of reach.

The consensus view is that 1985 will see more of the same. Bank lending shows precious few signs of slackening and, pace the Telecom effect, may even be accelerating. Meanwhile, unless the Chancellor is exceptionally lucky with his North Sea revenues, a 1985-86 PSBR of about £9bn may be needed in order to accommodate the Budget tax cuts. So official funding is likely to remain at a fairly high level, at least for the next few months, just to keep the monetary aggregates vaguely on track.

### Base rates

The best hope may, yet again, lie with the Federal Reserve. If further falls in short-term dollar interest rates allow the UK authorities to nudge base rates below 9 per cent without precipitating a rush on sterling, gilts could have some distance to run. The conventional market does not, after all, look particularly expensive in relation either to equities or to the anticipated rate of inflation. An optimistic analysis depends, however, on a slowdown in the U.S. economy, stable oil prices and a containment of inflationary pressures in the UK.

All that may be just too much to ask for. Yet, by the same token, it would probably take a sustained run of bad news for gilt yields to run back much above 11 per cent. The yield on long gilts stands only a point below the return on U.S. Treasuries of comparable maturity, which should offer a measure of protection to the UK market. And – who knows – 1985 may be the year in which the dollar finally takes a tumble.

## Israel to probe bank share collapse

By Our Tel Aviv Correspondent

THE ISRAELI Government is expected to set up a full judicial inquiry into the 1983 collapse of bank share prices following publication of a scathing report by the State Comptroller.

The long-awaited report from Mr Yitzhak Tunik, the comptroller, blamed the Government and central bank for allowing local commercial banks to manipulate bank share prices on the Tel Aviv stock exchange.

The practice continued for 11 years until the October 1983 collapse.

Until then the shares were regarded as a blue chip investment and the best protection against Israel's three-figure inflation. The banks, which had been buying and selling their own stocks, could not raise the funds to stop the price plummeting and numerous Israelis lost their savings.

The report noted that by October 1983 the market value of the shares was nearly three times the value of the capital the banks had mobilised since 1977 and had no basis in the banks' real assets or profitability.

Following the shares collapse the Government undertook to buy them from investors at a guaranteed, dollar-linked price in 1986. The comptroller estimated that the bail-out would eventually cost the state $2.5bn.

The report's publication has provoked calls from parliamentarians and the press for a judicial inquiry as a possible prelude to criminal proceedings against government and bank officials.

Mr Shimon Peres, Israel's Prime Minister, said yesterday that there was "no alternative but a fair, non-partisan, judicial inquiry commission." He has appointed two cabinet members, Justice Minister Moshe Nissim and Energy Minister Moshe Shahal, and parliamentarian David Libai, a law professor, to co-ordinate government action in the affair.

Under Israeli law, Mr Tunik was only able to investigate government and state agency involvement in the collapse. The report pointedly describes the commercial banks' actions in the stock market as "manipulative regulation."

The four banks – Bank Leumi, Bank Hapoalim, Israel Discount and United Mizrahi – have so far made no comment. The Bank of Israel, severely censured in the report, said Mr Moshe Mandelbaum, its present governor, had opposed the bolstering of bank share prices since his appointment in 1982.

## Reagan precludes restraint on space weapons before talks

BY DAVID BUCHAN AND STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan has set his face against any advance U.S. restraint on space weapon research or testing of anti-satellite missiles that could be interpreted as rewarding the Soviet Union for returning to the bargaining table in Geneva next week.

The President is putting the finishing touches in California and Washington this week to negotiating instructions for Mr George Shultz, the U.S. Secretary of State, who meets Mr Andrei Gromyko, the Soviet Foreign Minister, on January 7 and 8. As he does so officials have let it be known that any U.S. concessions on space-based "star wars" defensive weapons or anti-satellite missile tests will only come when the Soviets concede something on their offensive nuclear arsenal.

Administration officials have stressed the umbilical link between offensive and defensive weapons, but are saying that because of the complexity of these issues they should probably be treated in separate negotiations. This procedural point will figure high in the Shultz-Gromyko "talks about talks" next week.

Mr Paul Nitze, the veteran U.S. negotiator who will accompany Mr Shultz next week as a special adviser, told the Washington Post yesterday, that he ruled himself out of a future full-time negotiating role.

He gave no reason, but his decision to stay on the sidelines will be a disappointment to many, particularly in Western Europe. They felt that with his persistent and sometimes unorthodox negotiating techniques he came as near as anyone could have done to reaching an intermediate range missile agreement before the Russians walked out in November 1983.

Top Administration officials who have been involved in the preparation for the meeting between Mr Shultz and Mr Gromyko see the talks as potentially launching the most wide-ranging arms control negotiations between the two superpowers since the early 1970s – the last time that there were negotiations covering both offensive and defence weapons systems.

Administration officials say they are hoping to build on proposals for reducing nuclear weaponry which were put forward in late 1983. They see these proposals, which included a possible reduction in the number of Pershing 2 missiles in Western Europe, as a potentially significant step forward in the negotiating process, but one which was ignored when the Soviet Union walked out of the talks in November.

But "expectations about Geneva are too aroused" said one official, who stressed that the Shultz-Gromyko meeting amounted to "talks about talks."

Although U.S. officials see the Soviet decision to drop earlier preconditions for a return to the bargaining table as a hopeful sign, they stress that the Geneva meeting represents an occasion on which they – as well as the Soviet Union – will want to sound each other out.

There are fears that the U.S. could be moving into a propaganda trap, and therefore the Geneva meeting is seen as a vital opportunity to test the depth of the Soviet commitment to pursue an agreement.

The U.S. is ready to put all issues on the table, officials say, but they argue that if only because of the impossibility of verifying compliance, restrictions on laboratory research into space-based defence systems are impracticable. The Soviet leadership has been saying that American space weapon plans are its biggest worry.

There is evident determination in the Administration to prevent details of the negotiating position leaking to the press before it is delivered to Mr Gromyko on Monday, partly because of the conviction that confidentiality is essential for the long-term success of the talks.

It is also true that President Reagan has found it hard to resolve deep differences in the Administration on arms control issues. For this reason, too, many of the final decisions on what Mr Shultz will say in Geneva will be left to the last minute.

## UK living standards 'among lowest'

By Max Wilkinson, Economics Correspondent, in London

BRITISH living standards are now among the lowest in the industrialised world, with average spending power only about two thirds of that in the U.S. according to a study by the Paris-based Organsiation for Economic Co-operation and Development.

It shows that British living standards are still ahead of those in Italy and Spain, but come 13th in a league of 18 nations surveyed.

Sweden and Switzerland were excluded from the study. Had they taken part, the UK would have come 18th out of the 20 nations.

The comparison is made on the basis of detailed research into prices for a standard shopping list of goods in each country. This enables comparisons to be made of the real purchasing power of GNP per capita, expressed in each currency. The OECD believes these are much more accurate than those based on current exchange rates, and so gives a better comparison of the real living standard.

These purchasing power parities are, in effect, the exchange rate at which a worker's salary would need to be converted from one currency to another, if he were to maintain the same living standard.

This rate has often been very different from the exchange rates ruling in the foreign exchange markets, particularly in relation to the dollar.

In 1984, for example, a traveller from Britain to the U.S., would have needed up to $1.82 for each pound in order to enjoy the same purchasing power. On average, however, he only got $1.36.

Travellers from West Germany last year would have needed to buy dollars at the rate of DM 2.33 to the dollar to keep the value of their money, but in fact they had to pay almost a fifth more at DM 2.78 on average.

The UK also came at the bottom of the list for spending on capital formation, per head of population, coming below Spain and only marginally above Greece. Only Portugal spent substantially less on capital than the UK. Capital spending per head in the UK was less than half that in France and West Germany and only 40 per cent of that in Japan.

*OECD Working Paper 17, by Peter Hill from OECD, 2, Rue Andre-Pascal, 75775 Paris Cedex16, France.*

## U.S. air agency closes its doors

BY PAUL TAYLOR IN NEW YORK

THE U.S. Civil Aeronautics Board (CAB), the Federal agency once responsible for setting airline fares and awarding routes, closed its Washington doors for the last time on New Year's Eve.

The scrapping of the CAB, after 46 years, symbolically marks the end of an era of airline industry regulation in the U.S., a process set in motion in 1978 when Congress ordered the deregulation of the industry and the dismemberment of the agency.

Since then the CAB has helped usher in the new age of deregulation, a process which has brought cheap fares for the U.S. airline customers as well as turmoil, shake-outs, losses, and in some cases bankruptcy, for U.S. airlines.

For Mr Dan McKinnon, the board's chairman, the ceremonial closing of the agency marked the accomplishment of a goal. For the rest of the CAB's staff, which had dwindled from 840 in 1978 to 300, the passing of the CAB means a new job.

The remaining CAB employees are being transferred to the Department of Transport, which will assume responsibility for the board's remaining functions, including international aviation agreements involving foreign governments, anti-trust issues, perger approval and consumer protection.

Among the unresolved issues which the CAB will hand to the Department of Transport for decision are the awarding of Miami to London and Houston to London routes and the problem of U.S. airport congestion.

For U.S. airlines the disbanding of the CAB will have little if any immediate impact. In the past two years the CAB had lost all of its authority over domestic fares and schedules under the deregulation legislation.

U.S. carriers, whose ranks have swollen from less than 40 before 1978 to more then 100 today, are free to enter and leave any market and set fares without government approval in a free-for-all which is expected to continue to result in a major reorganisation of the industry.

● Eastern Air Lines has told its 37,000 employees it cannot afford to reinstate the 18 to 22 per cent pay cuts negotiated with its workers in December 1983 in return for a 25 per cent equity stake. The wage concessions were due to expire yesterday but Mr Frank Borman, Eastern's chairman, told employees in a letter the wage cuts would continue until a new agreement could be reached.

Union leaders who have been negotiating with Eastern for about a month to extend the concessions responded angrily to Mr Borman's action. Mr Charles Bryan, head of Eastern's largest union representing 12,000 machinists whose contract expired yesterday, said Mr Borman had betrayed the trust of Eastern employees. He said the airline is prohibited in a section of the agreement from unilaterally extending the concessions.

Eastern managed to post a third-quarter profit but lost $41 in the first 11 months of 1984.



## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 11 | 52 | Dubrovnik | F | 8 | 46 | Malaga | F | 14 | 57 | Salzburg | Sn | -5 | 23 |
| Akrotiri | F | 13 | 55 | Faro | S | 16 | 61 | Malta | C | 12 | 54 | Seoul | S | 2 | 36 |
| Algiers | C | 13 | 55 | Florence | S | 6 | 43 | Manila | S | 29 | 84 | Singapore | S | 31 | 88 |
| Amsterdam | R | 5 | 41 | Frankfurt | F | -1 | 30 | Miami | S | 21 | 70 | Stockholm | Sn | -3 | 27 |
| Athens | C | 8 | 46 | Funchal | - | — | — | Milan | S | 1 | 34 | Strasbourg | C | 1 | 34 |
| Bahrain | S | [illegible] | [illegible] | Geneva | C | -1 | 30 | Moscow | C | -5 | 23 | Sydney | R | 23 | 77 |
| Bangkok | S | 32 | 90 | Gibraltar | S | 16 | 61 | Munich | Sn | -2 | 28 | Taipei | R | 19 | 66 |
| Barcelona | S | 13 | 55 | Guernsey | C | 7 | 45 | Nairobi | - | — | — | Tangier | S | 16 | 61 |
| Beirut | F | 18 | 64 | Helsinki | C | -5 | 23 | Naples | C | 7 | 45 | Tehran | - | — | — |
| Belgrade | C | -3 | 27 | H. Kong | F | 19 | 66 | New Delhi | Fg | 10 | 50 | Tel Aviv | F | 18 | 64 |
| Berlin | Sn | -2 | 29 | Innsbruck | Sn | -5 | 23 | New York | R | 4 | 39 | Tenerife | F | 18 | 64 |
| Biarritz | C | 10 | 50 | Inverness | - | — | — | Nice | S | 9 | 48 | Tokyo | R | 9 | 48 |
| Blackpool | S | 5 | 41 | Istanbul | F | 7 | 45 | Oporto | S | 13 | 55 | Toronto | Sn | -4 | 25 |
| Bordeaux | C | 8 | 46 | Jersey | C | 7 | 45 | Oslo | S | -1 | 30 | Tunis | C | 12 | 54 |
| Brussels | R | 4 | 39 | Jo'burg | S | 32 | 90 | Paris | C | 5 | 41 | Valencia | F | 11 | 52 |
| Budapest | Sn | -4 | 25 | Las Palmas | S | 19 | 66 | Prague | Sn | -4 | 25 | Venice | S | 0 | 32 |
| B. Aires | S | 35 | 95 | Lima | S | 26 | 79 | Reykjavik | R | 5 | 41 | Vienna | Sn | -6 | 21 |
| Cairo | S | 17 | 63 | Lisbon | S | 12 | 54 | Rio de J'o | S | 33 | 91 | Warsaw | Sn | -4 | 25 |
| Cape Town | S | 27 | 81 | Locarno | S | 0 | 32 | Rome | S | 8 | 46 | Zurich | Sn | -1 | 30 |
| Caracas | S | 29 | 84 | London | F | 5 | 41 | | | | | | | | |
| Casablanca | S | 17 | 63 | Los Angeles | F | 7 | 45 | | | | | | | | |
| Copenhagen | Sn | -1 | 30 | Luxembourg | Sl | 0 | 32 | | | | | | | | |
| Corfu | C | 10 | 50 | Madrid | S | 10 | 50 | | | | | | | | |
| Dublin | S | [illegible] | 39 | Majorca | S | 13 | 55 | | | | | | | | |

*Readings at mid-day yesterday:*

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

## Curbs loom in Nigeria

Continued from Page 1

while recurrent spending will be down nearly 12 per cent at N5.4bn, giving a recurrent surplus of N1.3bn compared with N600m last year.

The capital budget has been increased nearly 50 per cent to N5.8bn but this partly reflects a bookkeeping change since N1.1bn of loan repayments which used to feature in the recurrent budget have been shifted over to capital account. This still leaves an effective 20 per cent rise in capital spending.

Maj Gen Buhari announced little by way of new revenue measures, and lamented Nigeria's continuing undue dependence on oil, which will provide 66 per cent of government revenue this year. He said the process of reducing this oil dependence was already under way with intensive investment in agriculture and mining and the Government's commitment to the liquefied natural gas project.

An important change, however, is the decision to introduce a new advance payments system for customs duties which will have to be paid when letters of credit are opened rather than when the goods actually arrive in Nigeria. Operational procedures are to be announced soon, he said.

## Gandhi stamp on Cabinet

Continued from Page 1

mer president of the Jenson and Nicholson (India) paint company and a cousin of Mr Gandhi, Mr Nehru became an MP four years ago and emerged as one of Mrs Gandhi's aides.

He was also close to Mr Gandhi, who made him a general secretary of the Congress (I) party just before the election. But he has no major political experience, however, or successes to his credit and he has an abrasive style which has made him unpopular.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. 

SECTION II – COMPANIES AND MARKETS

# FINANCIAL TIMES

Wednesday January 2 1985





## Crown Zellerbach in contract loss move

By Paul Taylor in New York

CROWN ZELLERBACH, the U.S. paper and forest products group, which has recently become the latest target for Sir James Goldsmith, the Anglo-French financier, will take a non-recurring pre-tax charge of about $30m in the fourth quarter, largely to reflect expected losses from timber-cutting contracts.

The San Francisco-based group revealed last month that Sir James had notified it that he planned to take up to a 25 per cent equity stake in the company. The group is the latest in a series of U.S. forest product corporations to announce a fourth-quarter charge to cover timber contract losses caused by a flood of imports and restructuring.

Crown Zellerbach recently projected flat earnings for the fourth quarter. The company had net income of $25.1m or 77 cents a share on sales of $727.4m in the 1983 quarter. It did not specify what impact the charge would have on 1984 fourth-quarter earnings.

The decision to take the charge follows a reassessment of timber cutting contracts, the value of which has been severely affected by imports made cheaper by the dollar's strength.

The charge also covers costs associated with the sale of timber land.

## Bank Bumiputra replaces five of six directors

BY WONG SULONG IN KUALA LUMPUR

THE MALAYSIAN Government has announced a virtual revamp of the board of Bank Bumiputra, the country's biggest, though beleaguered, bank and has replaced five of its six directors.

The state-owned bank is at the centre of the country's biggest financial scandal, having lost more than $1bn in loans to Hong Kong property speculators. It was rescued from collapse last September by a takeover by Petronas, the national oil company.

Tan Sri Basir Ismail, 57, a prominent government official and a close friend of Dr Mahathir, the Prime Minister, is the bank's new executive chairman.

He replaces Dr Nawawi Mat Awin, a close political associate of Dr Mahathir. Although the bank's Hong Kong loans began before his appointment as chairman in April 1982, Dr Nawawi came under strong public criticism for his handling of the problem, and this was compounded by the fact that the bulk of the loans were given out during his tenure, although he maintained he never authorised them.

Tan Sri Basir is currently chairman of Kumpulan Fima, the food industries authority, and the Johore State Economic Development Corporation – two public agencies with diversified business interests.

Bank Bumi's new executive director is Mr Taufik Abdullah, who is seconded from Bank Negara, the central bank, where he is an adviser and head of the bank regulation department.

The only director of the old board to be retained is Mr Ismail Hashim, a Petronas nominee, who joined the board when Petronas took over Bank Bumi.

The other four new non-executive directors are Mr Burhanuddin Tajuddin, a lawyer, Tunku Yimus Kamaruddin, an accountant, Mr Chan Chin Cheung, a businessman, and Dr Kamal Salleh, a university professor.

The changes were announced by Mr Daim Zainuddin, the Finance Minister, who won praise for the swift manner in which he acted to resolve the Bank Bumiputra dilemma by arranging for the Petronas takeover.

Mr Daim said the new board comprised a good mix of experience and knowledge and he hoped it would work to restore the bank's position as the country's leading bank.

## Tara to acquire orebody from Bula

By Brendan Keenan in Dublin

A BITTER 14-year battle for control of part of Europe's largest lead and zinc deposit appears to be over. Under a plan worked out after three months of negotiation Tara Mines, which operates a mine at Navan in the Irish Republic, is to acquire the adjoining orebody belonging to Bula Mines.

The two companies have been at loggerheads since 1970, when Bula acquired the rights to part of the Navan discovery made by Tara.

Bula has spent more than I£20m ($20m) in the past 10 years in efforts to begin mining and to retain control of the orebody. It was refused planning permission for an opencast mine and won temporary reprieve when its bankers sought to call in some of their I£16m loans earlier this year.

Its most recent scheme, which also included Bankers Trust of the U.S. and Outukumpu, the Finnish mining company, would have involved developing an underground mine at a cost of at least I£60m, to which the Irish Government would have committed I£13m.

The hard-pressed Irish Exchequer refused, however, to invest any further money. Instead, it will buy out the 51 per cent of Bula in private hands for I£6m and sell it on to Tara for a similar sum. There will be no net cost to the Government, which will continue to hold 25 per cent of the expanded company and will receive 4½ per cent royalties on the increased production.

Tara will be responsible for Bula's debts under the plan, which is yet to be officially announced, and will have to reach some accommodation with the banks, although the improved profit prospects for the expanded company should make this possible.

Tara had consistently opposed an independent Bula operation, arguing that it would prove uneconomic. The issue had political ramifications in that a previous coalition government, made up of the same parties which form the present administration, paid I£10m for 24 per cent of Bula in 1977 – a figure which many considered over-generous.

## UK criticised over funding of small company investment

BY BARRY RILEY IN LONDON

BRITAIN needs several new credit institutions to channel capital into productive investment, according to a new study published by the Policy Studies Institute, an independent research body.

The existing specialist small company financing body, the Industrial and Commercial Finance Corporation (a subsidiary of 3i), needs to become much larger, it is argued. At present it is only about one-tenth the size of comparable European organisations such as the Credit National in France and the Kreditanstalt für Wiederaufbau in Germany.

"If economic decline in the UK is to be reversed, savings will have to be channelled and transformed into productive investment on a much larger scale than hitherto," the report says.

The report was written by Dr Yao-Su Hu, formerly at the World Bank and the PSI, and now deputy head of the Department of Management Studies at the University of Hong Kong.

The report describes as "integrationist" the systems for financing industry in France, Germany and Japan, where the state, the banks and industry co-operate closely in the long-term pursuit of national objectives and wealth creation.

In contrast the systems in the U.S. and Britain are dubbed "separatist," so that the relations between the government authorities, the financiers and the industrial managers "are of an arm's length, often adversarial nature."

Dr. Hu says: "Since World War Two the UK has developed a most efficient system for encouraging and collecting personal savings on a massive, continuous and long-term basis, but this does not seem to have benefited the productive sectors of the economy."

ICFC is described as a very well-managed, efficient and sound credit institution, and its willingness to make equity investments as well as long-term loans is praised, but its limited size means that it cannot have the same impact on market conditions as its continental counterparts, which are big enough to drive down interest rates in their favour, and therefore in favour of their industrial customers too.

Dr Hu says there is a difference "between a small, well-managed credit institution serving a well-defined market segment, and large institutions designed as instruments of national policy."

In France and Germany the special credit institutions are said to have proved most effective where they have close relations with the state at policy level, but real autonomy at the operational level.

Britain's loan guarantee scheme for small businesses is dismissed as being of relatively modest proportions, while the premium of 5 per cent that borrowers have to pay "would be considered exorbitant, if not inconceivable, in France, Germany and Japan."

Britain could do well not only with a much larger ICFC, but with several new large credit institutions with some specialisation between them according to the size of firms (large, medium, small and very small) Dr Hu concludes.

*Industrial Banking and Special Credit Institutions – a comparative study. By Yao-Su Hu. Policy Studies Institute, 1–2 Castle Lane, London SW1E 6DR.*

## Irving issues profits warning

By Our Financial Staff

IRVING BANK, the large New York bank, has warned that its earnings for the fourth quarter ended December 31 will suffer by about $4.5m as a result of "irregularities" at Banca della Svizzera Italiana, its 40 per cent-owned affiliate in Lugano, although it added that full year net income would still show an increase.

Irving was commenting on a report by Lugano police that a BSI employee had admitted "illegally diverting" about $32m from customers' accounts.

**John Wicks in Zurich writes:** a BSI executive said in Lugano yesterday the bank did not know how far its profits would be affected.

The extent of the loss is not yet known nor how much of the sum is recoverable. The bank has also still to decide to what extent provisions will have to be made to cover the damage.

Mr Giancarlo Ranzoni, manager of the bank's Melide branch, has been charged with misappropriation of clients' funds, the bank said.

## Bahrain money move

BY MARY FRINGS IN BAHRAIN

THE BAHRAIN Monetary Agency (BMA) is extending its surveillance of the financial markets to the 50 or so money changers trading in Bahrain. It already controls major gold dealers and commodities brokers as well as domestic and offshore banks.

Under regulations which come into force at the end of February money changers will have six months to obtain licenses from the BMA, in addition to their trading licences from the Ministry of Commerce and Agriculture.

The BMA will specify on a case by case basis the capital requirement for small souq operations which only buy and sell foreign currencies and travellers cheques.

It has fixed a minimum BD 100,000 ($260,000) of capital, plus guarantees of at least BD 50,000 for those whose activities include overseas remittances and dealing in precious metals. Money changers are prohibited from taking deposits or giving loans.

It is a condition of the licence that money changers shall maintain proper accounting records and submit audited balance sheets and profit and loss accounts to the BMA within three months of the end of each financial year.

The BMA may cancel the licence if the holder's liquidity or capital adequacy is jeopardised.



## FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 31.

U.S. DOLLAR STRAIGHTS — Issued, Bid, Offer, Change on day, week, Yield

[illegible]

Average price changes on day −0⅛ on week −0⅛

OTHER STRAIGHTS — Issued, Bid, Offer, Change on day, week, Yield

[illegible]

FLOATING RATE NOTES — Spread, Bid, Offer, C.dte, C.cpn, C.yld

[illegible]

Average price changes on day 0 on week 0

DEUTSCHE MARK STRAIGHTS — Issued, Bid, Offer, Change on day, week, Yield

[illegible]

Average price changes on day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS — Issued, Bid, Offer, Change on day, week, Yield

[illegible]

Average price changes on day 0 on week 0

YEN STRAIGHTS — Issued, Bid, Offer, Change on day, week, Yield

[illegible]

CONVERTIBLE BONDS — Cnv. date, Cnv. price, Bid, Offer, Chg. day, Prem

[illegible]

* No information available previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte – Date next coupon becomes effective. Spread – Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn – current coupon. C.yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



## S-E Banken aims to boost Nordic position

By Kevin Done in Stockholm

SKANDINAVISKA ENSKILDA Banken, Sweden's leading bank, has applied to the Government for permission to take small minority shareholdings in two other Nordic banks, Bergen Bank of Norway and Union Bank of Finland.

The move is part of the far-reaching co-operation deal announced by the three banks to strengthen their position in the Nordic market in order to meet growing competition from foreign banks.

Foreign banks are expected to start operations in Norway early this year and in Sweden in early 1986.

Scandinavian banks have been slow to set up any kind of Nordic network, but S-E Banken, Bergen Bank and Union Bank are trying to fill this gap with their co-operation deal under the name of Scandinavian Banking Partners.

S-E Banken said yesterday that in a first stage it was seeking permission to acquire a 7.5 per cent stake in Bergen Bank and a 3.5 per cent stake in Union Bank in deals worth SKr 93m ($10.3m) and SKr 157m, respectively.

The purchases will be made through directed issues of new shares.

Swedish banking law prohibits foreign investors from buying shares in a Swedish bank, but S-E Banken is pressing for a change in the law to permit it to sell shares to its Nordic partners.

Pending such changes, it intends to make subordinated loans to the two banks to the same value as its share purchases, a total of SKr 250m.

## Singapore acts on developers

By Chris Sherwell in Singapore

FOR THE second time in five months the Singapore Government has acted to ease the cash flow problem of developers hit by the island state's huge property glut and so boost market confidence.

The Urban Redevelopment Authority (URA), a state agency which buys and sells development land in Singapore, has granted developers a three-year moratorium on land payments, which are usually paid to the URA over a 10-year period with interest. Developers will have to maintain interest payments.

# UK COMPANY NEWS

## Prudential continues to expand life business

BY ERIC SHORT

COMPANIES operating in the UK life sector are reporting another good year in 1984 for new business, despite the continuing recession and the ending of tax relief on life assurance in last year's Budget.

When Mr Nigel Lawson, the Chancellor of the Exchequer, ended Life Assurance Premium Relief (LAPR)—which had been available for more than a century—many commentators felt that life company new business would nose-dive. The new business figures from the Prudential Corporation, Britain's largest life company, and others show that those fears were unfounded.

The Prudential recorded a slight increase of 3 per cent last year in its worldwide new annual premiums from £307.8m to £316.9, while single premiums rose one-third from £276.5m to £370m. Total sums assured moved up from £18.9bn to £21.3bn.

Its main UK operating company, Prudential Assurance, saw new annual premiums on its ordinary life and self-employed pension business decline 3 per cent from £101.3m to £99m, with single premiums up 12 per cent from £74.6m to £83.9m.

Mortgage-related business was hit both by the loss of Life Assurance Premium Relief (LAPR) in the 1984 Budget and by the exceptional buoyancy of this market in 1983 with the introduction of MIRAS. New annual premiums fell by a third from £23m to £15m, still a satisfactory figure since prior to 1983 the Pru enacted very little mortgage-related business.

New annual premiums on other ordinary life business fell by a fifth from £46m to £37.5m, showing the impact of the loss of LAPR. But linked life new annual premiums rose from £7.6m to £8.5m despite LAPR and the industrial life business showed a fine recovery from the initial LAPR impact with new annual premiums of £72.1m against £72.3m in 1983.

However, one success story for Prudential Assurance was the 56 per cent rise in new annual premiums on self-employed pensions from £24.3m to £38.2m, as its salesmen switched their efforts from life contracts to self-employed pensions.

The UK group pensions division was still affected by the recession and keen competition for this business. New annual premiums dropped over 5 per cent from £38.2m to £36m and single premiums by nearly 40 per cent from £33.7m to £20.8m.

The other main success story was the continued rise in Pru's own linked life and pensions operations, with single premiums advancing by one-fifth to £58.1m.

But the same could not be said of Pru's specialist linked-life subsidiary Vanburgh Life Assurance. Its new annual premiums slipped slightly from £2.4m to £2.3m, with a small rise in pension premiums from £1.6m to £1.7m offset by a drop in life business. Its single premium business fell by a quarter from £32m to £24m.

Pru's overseas life business showed good growth with new annual premiums up a quarter from £51.2m to £63.3m and single premiums doubling from £102.3m to £204.4m. Annual premium growth was strong in Australia, while single premium business in Canada, mainly pension, rose 80 per cent.

The specialist reinsurance subsidiary Mercantile and General Reinsurance showed new annual premiums rising 4 per cent from £42.4m to £44.2m and single premiums by nearly 9 per cent from £33.9m to £36.9m.

## Scottish Widows has good year

GOOD NEW life and pension figures for 1984 are reported by the Scottish Widows' Fund and Life Assurance Society. New annual premiums advanced by 25 per cent from £24m to £30m and single premiums by a similar rate from £58m to £72m.

The Society's life business held up remarkably well despite the ending of LAPR and new annual premiums were virtually unchanged at £16m with mortgage-related business remaining steady. The loss of business following the Budget was offset by the pre-Budget boom and a strong recovery in sales in the final quarter.

But the growth came from the highly buoyant individual pension market. New annual premiums on self-employed pensions nearly tripled from £2.4m to £7m, while single premiums jumped two-thirds from £5.8m to £9m.

The executive pensions sales were also good with new annual premiums rising 40 per cent from £4.5m to £6.3m and single premiums by nearly 60 per cent from £4.4m to £7m.

In both self-employed and executive pension fields, the Society benefited from introducing new contracts combining conventional and unit-linked concepts.

The company also reports strong growth in the group pensions sector. New annual premiums increased nearly 50 per cent to £15.8m while single premiums amounted to £2.6m.

The pension investment mangement subsidiary produced excellent results in a highly competitive market. New annual premiums rose by one-fifth from £20m to £24m and single premiums climbed nearly 90 per cent from £75m to £141m.

● The Colonial Mutual Group reported a 25 per cent drop in new life annual premiums in 1984 from £13.6m to £10.17m, with non-linked premiums dropping from £12.6m to £9.15m. Much of this fall came from a decline in mortgage-related business following the MIRAS boom in 1983.

New annual pensions premiums rose by one-third from £2.19m to £2.93m.

Single premium life business more than doubled from £1.5m to £3.2m, but single premium pensions slipped last year from £8.81m to £7.97m.

● Friends' Provident Life Office is passing on last year's excellent investment performance to policyholders in the form of a special reversionary bonus of 15 per cent of attaching bonuses to its life policyholders, and higher terminal bonuses to both life and pension policyholders.

The basic reversionary bonus rates are unchanged for 1984 at £5 per cent of sum assured and attaching bonuses for life business, £6.50 per cent for self-employed pension contracts, and £11.25 per cent compound for retirement benefit schemes.

Terminal bonus for 1985 claims is raised by 20 percentage points to 85 per cent of attaching bonuses on life policies and 80 per cent of attaching bonuses for pension contracts.

### Capital & Counties

Capital & Counties increased pre-tax profits from £3.14m to £4.11m for the six months to September 29 1984, and is raising its interim dividend by 0.2p to 1.6p net.

Operating income climbed from £5.55m to £6.26m. Property investment contributed £5.51m (£5.14m), property trading £542,000 (£232,000) and housebuilding £201,000 (£180,000).

Administration expenses rose from £1.17m to £1.3m, while interest payable was unchanged at £1.28m. Share of associate's profit came in £149,000 (£108,000) and there was other income of £282,000 (£75,000 expense).

Tax took £1.23m (£941,000) and earnings per 25p share were up from 2.86p to 3.74p.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interim:—AIM.

Final:—TR City of London Trust.

FUTURE DATES

Interims:—

Fleming Technology Inv. Tst. ... Jan. 18
Imperial Group ... Feb. 14
Ratners (Jewellers) ... Jan. 11

Charles Batchelor looks at last year's busy takeover scene

## Growing call for referee's decision

ON THE takeover front 1984 was not a year for the squeamish. As bid activity intensified the fighting became meaner, the Takeover Code was stretched to its limits, and the combatants turned increasingly to the Takeover Panel and even the courts to referee their disputes.

The year set no record in terms of individual UK company takeovers—that is still held by BAT Industries' £968m bid for Eagle Star at the end of 1983.

But the number of takeovers continued to rise, and their aggregate value also reached new peaks. In the first nine months of last year, 337 companies spent £3.62bn acquiring 391 other companies, according to Department of Trade and Industry (DTI) figures.

Even allowing for the DTI's inclusion of the BAT/Eagle Star deal in the 1984 figures, spending on takeovers has risen sharply. In the whole of 1983, some 391 companies spent just £2.34bn buying 447 other companies.

With the rate of activity showing no signs of slowing down in the fourth quarter—Consolidated Goldfields chose Christmas Eve to put in a £61.5m counter-bid for the Bath and Portland Group—1984 is likely to go down as a record year.

Alongside the growing volume of bid activity involving two listed companies there were a number of substantial deals in which large divisions of publicly quoted companies changed hands.

ICI paid £630m for the chemicals division of Beatrice Companies, the U.S. foods and household products group; Beecham bought BAT Industries' cosmetics division for £125m, while Reckitt & Colman agreed the purchase of the Airwick fresheners business from Ciba-Geigy of Switzerland for £165m. These deals are not included in the top 12 league table, which covers only bids for publicly-quoted companies.

Why is the City going through such a wave of takeovers? The most obvious answer lies in the strength of company balance sheets. Profits, retained earnings, and liquidity have been rising while long-term borrowing has been falling.

Buoyant shares prices have allowed many companies to make bids in the form of shares.

Companies coming out of recession have also had time to turn their minds to expansion after several years of retrenchment and closure. Buying a going concern can be cheaper and more effective that investing in new plant. Some companies at a relatively early state of rationalisation have found themselves vulnerable to predators.

The attitude of the Government to this hectic takeover activity has been largely to let the companies get on with it. In July, Mr Norman Tebbit, Trade and Industry Secretary, decided against any change in the Government's merger policy.

He did however double the assets threshold at which a bid becomes liable to investigation by the Monopolies Commission to £30m. This is expected to reduce the number of potential references by roughly a quarter to about 150 a year.

In fact, only four bids were referred to the Monopolies Commission in 1984 compared with an average of eight or nine in each of the previous three years.

The Takeover Panel, however, was a lot more busy. One panel official admitted privately to growing irritation at the readiness with which merchant banks were attempting to involve the Panel in bid battles. Many appeals to the Panel were not considered worthy of action, but in December it issued a strongly worded warning about inaccurate or misleading *graphs and diagrams* being used in takeover circulars.

It complained about graphs being used to illustrate totally unsuitable subjects, the use of different scales on different levels and distortions obtained by the selective use of data.

The Panel mentioned no names but its general strictures followed soon after it had ordered C. H. Beazer, the building group, to redraw a graph used in its bid for Bath and Portland, and after property developer John Finlan and its bid target Lincroft Kilgour had both run into trouble over graphs.

Chubb, the security equipment group, protested in vain in the Panel that Racal had improperly suggested that institutions had begun to accept its £179m offer.

The Panel did intervene, however, in the bid from Tate and Lyle (subsequently topped by a higher offer from Unilever) for Brooke Bond, to rule that the bidder was not obliged to make a profit forecast.

But it was not only the larger *bids which caused the Panel* trouble. A bid worth less than £3m by Gregory Securities for the motor dealer Glanfield Lawrence prompted the authorities to review the rules governing "concert parties," when two or more shareholders work together to gain control of a company.

If appeals to the Panel were an almost daily occurrence, Currys' decision to contest Dixons' £248m bid in the High Court sent a shiver through the City which likes to keep these matters to itself. The judge rejected Currys' arguments in strong terms.

Unilever's defeat of Tate and Lyle in the battle for the hand of Brooke Bond, and Woolworth's shut-out of Harris Queensway in the contest for Comet both made for tough and unpredictable takeover struggles.

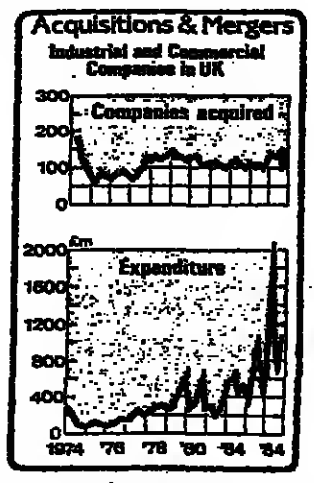
Many of the takeovers which did not rank in the top 12 were equally punishing. Mr Robert Maxwell's unsuccessful £44m bid for games and packaging group John Waddington produced a vigorous defence, which forced Mr Maxwell to lift the veil partially on his private Liechtenstein companies.

As intriguing as the bids which were made were those which failed to materialise. GEC, with a cash mountain of £1.5bn, and Thorn EMI both approached British Aerospace in the summer but the bid which would have probably headed the 1984 league table failed to emerge.

### LARGEST CORPORATE BIDS IN 1984

| Bidder | Adviser | Target | Adviser | Value/status* (£m) |
|---|---|---|---|---|
| BAT Industries | Lazard Bros. | Hambro Life Assurance | Morgan Grenfell | 664 agreed‡ |
| Standard Telephones and Cables | Morgan Grenfell | ICL | S. G. Warburg | 411 contested |
| Sun Alliance | N. M. Rothschild | Phoenix Assurance | Hambros | 397 agreed |
| Unilever | Morgan Grenfell | Brooke Bond | Lazard Bros. | 389 contested |
| Hanson Trust | Lehman Bros. Kuhn Loeb | U.S. Industries | Lazard Freres | 383 contested |
| Barlow Rand | Brown Shipley | J. Bibby & Sons | N. M. Rothschild | 274 agreed |
| Dixons Group | Morgan Grenfell | Currys Group | S. G. Warburg | 248 contested |
| Hanson Trust | N. M. Rothschild | London Brick | Lazard Bros. | 247 contested |
| Dee Corporation | Morgan Grenfell | Booker McConnell | S. G. Warburg | 236 contested† |
| Australia & New Zealand Banking Group | Morgan Grenfell | Grindlays Holdings | Schroder Wagg | 182 agreed |
| Racal Electronics | Hill Samuel | Chubb & Son | County Bank | 179 contested |
| Woolworth | Charterhouse Japhet | Comet Group | Kleinwort Benson | 177 agreed |

* Some contested bids were finally agreed. † Dee Corp's bid has now lapsed during a Monopolies and Mergers Commission inquiry. ‡ Bid agreed but not yet completed.




## Advent Capital's share placing brings in £36m

BY ALISON HOGAN

Morgan Grenfell has raised £36m through a placing of shares in Advent Capital, the largest single fund raising exercise for any British venture capital fund.

Advent Capital will concentrate its investments in young high technology companies, mainly in the UK, but possibly including some overseas investments. Its aim is to promote the transfer of technology between countries, particularly into and out of the UK.

The Jersey-based fund will be managed by Advent Management which includes two experienced venture capitalists, Mr David Cooksey and Mr Peter Brooke. They have set up two successful companies already, Advent Technology and Advent Eurofund, and through Advent Management, Advent Capital will be part of an international network of venture capital companies.

Advent Capital will be automatically dissolved after 10 years, under its constitution, and its assets distributed, unless shareholders resolve to extend its life.

## Findhorn assures holders after Tomatin collapse

The proposed creditors' voluntary liquidation of Tomatin Distillers has prompted Findhorn Finance to assure its shareholders that it is making its own plans to meet the situation. It will pay the interest on the 8½ per cent unsecured loan stock due for the half year ended January 6 1985, and expects to have funds available to cover other obligations as they fall due.

Findhorn buys stocks of whisky from Tomatin, holds them until they mature and then sells them back as needed. It is not a subsidiary of Tomatin and has not been a party to any of the discussions preceding Tomatin's announcement.

Findhorn says its stocks of maturing whiskies, both malts and grains, have a book cost in excess of £5m. Less than 10 per cent is Tomatin whisky and the remainder is a broad portfolio of whiskies held in bond as single whiskies which are suitable for blending and bottling when mature.

The directors are actively engaged in discussions with the company's bankers, trustees for the loan stock, and other interested parties including the proposed liquidator of Tomatin, and in due course will announce future plans.

## Control Secs. acquisition

IN A share exchange deal, Control Securities is making an *agreed takeover* of Ascot Holdings, an investment property development group quoted under Rule 535 (2). The offer values Ascot at some £2.5m, or 20p per share.

The directors of both companies believe their portfolios of properties are mutually complimentary, and that their combined strength will enhance future prospects. Rental income of the enlarged group will be increased by some £900,000 annually.

Terms are two shares in Control for every five shares of Ascot. Full acceptance will mean Control issuing 4.95m shares, representing 18.86 per cent of the enlarged capital. Directors of Ascot holding around 43.4 per cent of the capital have given *irrecoverable* undertakings to accept. The shares to be issued will not rank for Control's interim dividend in respect of the period ended September 30 1984.

Shareholders in Control need to approve an increase in the capital for the deal to go through. Labofund AG and the directors of Control have agreed to vote in favour in respect of their holdings of 23.19 per cent and 6.35 per cent respectively in the ordinary capital of Control.

The directors of Ascot consider the offer to be fair and reasonable, and recommend it to shareholders.

## Barget calls a halt to its SE dealings

Barget, the loss-making furniture importer, called a halt to Stock Exchange dealings in its shares on Monday "pending clarification of its financial position." At the 10p suspension price, the company has a market valuation of £828,000.

In June, Barget, *in* which Philippines businessman Mr Jose de Venecia has a controlling stake, announced a pre-tax loss of £1.26m for 1983, against profits of £401,000 in the preceding year.

Barget began pulling out of furniture manufacture in 1983 to develop its international trading and contract services business.

## Norton Opax forecasts 2p final payout

A final dividend of 2p is planned by Norton Opax, the specialist printing group, which is bidding £21.1m for Sir Joseph Causton and Sons. This will make a total of 3p for the year ending March 31, 1985.

This forecast is contained in the formal offer document released on Monday.

Mr David Rocklin, chairman of Norton, told shareholders he was hopeful that discussions with the Causton board would lead to it recommending the offer. On December 19, Norton published its bid terms in an apparent attempt to force the pace of the discussions.

The offer document gave details of the amended terms of the bid to take account of the one-for-five scrip issue implemented by Norton on December 28.

Norton is now offering 24 of its own shares for every 25 Causton, with a cash alternative of 110.4p. Norton originally announced it was offering four of its own shares for every five Causton. The cash alternative is unchanged.

At Norton's Monday share price of 127.5p ex-scrip, the offer values each Causton share at 122.4p—just above the 120p Causton share price. Norton already has a 21.6 per cent stake in Causton.

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## ACT expands in Germany

IN A major step towards achieving much wider distribution and sale of its Apricot range of products in West Germany, Applied Computer Techniques (Holdings) is buying Beaugrand Datentechnik for between £275,000 and £540,000.

The consideration is dependent on the value of net assets, but there will be an initial consideration of £275,000 to be *satisfied* by a vendor *placing* of 106,797 ordinary shares in ACT.

There will be two further payments within six months of completion provided the value of the net assets is sufficiently high to attract these in accordance with a pre-determined formula.

Beaugrand operates *from* Frankfurt. In recent years it has specialised and acquired "a sound reputation" in the distribution of word processors and related equipment and software. It also sells microcomputers, accessories and software for business systems and provides engineering services.



| 1983-84 High | Low | Company | Price | Change | Gross div.(p) | Yield % | P/E Actual | P/E Fully taxed |
|---|---|---|---|---|---|---|---|---|
| 142 | 120 | Ass. Brit. Ind. Ord. | 140 | — | 6.8 | 4.6 | 7.8 | 5.3 |
| 158 | 117 | Ass. Brit. Ind. CULS | 148 | — | 10.0 | 6.8 | — | — |
| 78 | 52 | Airsprung Group | 53 | — | 8.4 | 12.0 | 5.8 | 7.1 |
| 42 | 21 | Armitage & Rhodes | 41 | — | 2.8 | 7.0 | 5.1 | 8.5 |
| 134 | 57 | Bardon Hill | 134 | — | 3.4 | 2.5 | 13.6 | 22.6 |
| 58 | 42 | Bray Technologies | 47 | — | 3.5 | 7.4 | 6.5 | 7.8 |
| 201 | 173 | CCL Ordinary | 173 | — | 12.0 | 6.9 | — | — |
| 152 | 114 | CCL 11pc Conv. Pref. | 114 | — | 15.7 | 13.8 | — | — |
| 800 | 100 | Carborundum Ord. | 798 | — | 5.7 | 0.7 | — | — |
| 84 | 84 | Carborundum 7.5pc Pf. | 84 | — | 10.7 | 12.8 | — | — |
| 249 | 83 | Cindico Group | 83 | −2 | — | — | — | — |
| 73 | 45 | Deborah Services | 65 | — | 6.5 | 10.0 | 6.1 | 10.0 |
| 240 | 76 | Frank Horsell | 240 | — | — | — | 8.6 | 12.8 |
| 206 | 75½ | Frank Horsell Pr Ord 87 | 206 | — | 8.8 | 4.8 | 8.3 | 10.8 |
| 69 | 25 | Frederick Parker | 29 | — | 4.3 | 14.8 | — | — |
| 50 | 32 | George Blair | 50 | — | — | — | 3.4 | 6.7 |
| 80 | 30 | Ind. Precision Castings | 30 | — | 2.7 | 8.0 | 8.2 | 8.9 |
| 218 | 200 | Isis Group | 200 | — | 15.0 | 7.5 | 7.9 | 14.4 |
| 124 | 61 | Jackson Group | 106 | — | 4.9 | 4.5 | 4.9 | 8.5 |
| 285 | 213 | James Burrough | 281 | +1 | 13.7 | 4.9 | 10.0 | 10.0 |
| 93 | 93 | James Burrough 9pc Pf. | 93 | — | 12.9 | 13.9 | — | — |
| 82 | 71 | John Howard & Co. | 82 | +1 | 5.0 | 6.1 | 8.4 | 11.9 |
| 147 | 100 | Linguaphone Ord. | 141 | — | — | — | — | — |
| 100 | 93 | Linguaphone 10.5pc Pf. | 98 | — | 18.0 | 15.8 | — | — |
| 572 | 275 | Minihouse Holding NV | 572 | — | 3.8 | 0.7 | 41.2 | 45.0 |
| 176 | 31 | Robert Jenkins | 32 | — | 5.0 | 15.8 | — | — |
| 74 | 28 | Scruttons "A" | 28 | — | 5.7 | 20.4 | 14.7 | 3.4 |
| 120 | 61 | Torday & Carlisle | 87 | — | — | — | 6.3 | 18.8 |
| 444 | 370 | Travian Holdings | 370 | — | 4.3 | 1.2 | 21.0 | 20.7 |
| 27 | 17 | Unilock Holdings | 27 | +0½ | 1.3 | 4.8 | 13.1 | 18.8 |
| 93 | 65 | Walter Alexander | 93 | — | 7.5 | 8.0 | 7.0 | 11.2 |
| 276 | 226 | W. S. Yeates | 226 | — | 17.4 | 7.7 | 5.4 | 10.8 |

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# WORLD STOCK MARKETS

## OVER-THE-COUNTER

| Stock | Sales (Hnds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on Page 14

EUROYEN BONDS

## Calm after flurry of activity

CALM is expected to return to the Euroyen bond market this year, setting the stage for its development after December's post-liberalisation flurry, *writes Shigeo Nishiwaki of Jiji Press.*

When qualified foreign companies were granted access to the Euroyen bond issue market last month, under a Japan-U.S. agreement, large brokerage houses from both countries scrambled to lead-manage their first issues.

Nomura and Daiwa Securities, two of Japan's big four brokers, emerged the victors. Nomura lead-managed Y50bn of Euroyen bonds issued by Dow Chemical and Daiwa Y12.5bn worth, issued by Sears Roebuck. The pair signed the relevant contracts on December 1.

Continuing to set the pace, Nomura lead-managed three Euroyen issues by TRW (Y15bn), Allied Corp (Y10bn) and United Technologies (Y25bn). Daiwa also lead-managed Y12.5bn worth issued by Goodyear Tire and Rubber. Credit Suisse First Boston became the first foreign lead manager, undertaking a Y20bn issue by Pacific Gas and Electric.

The extent of the Euroyen fever is evident when the month's seven-issue total of Y145bn is compared with total issues worth Y450bn in the seven years since 1977 when the European Investment Bank floated the first Euroyen bond.

The major reason for the triumph by Nomura and Daiwa was that they held the edge over the two other large Japanese brokers in international strategy. Many brokers, including the two main rivals, admit that greater expertise and experience in swapping Euroyen with dollars made the difference.

Of the seven Euroyen bond issuers, Dow Chemical, TRW and Allied Corp raised yen funds to meet their own financing needs, but the four others swapped their yen for dollars to avoid exchange risks.

Yamaichi and Nikko, the other two leading Japanese securities houses, each expect to find one or two foreign issuers for whom they will act as lead managers, and Nomura and Dalwa will continue to offer their services. One or two Euroyen bond issues by foreign companies are expected to emerge each month.

One problem remains, evidenced by the fact that the seven European bond issuers were all American. An effective obstacle to Europeans is that issuers are currently limited to qualified foreign companies rated 'A' or higher in tha U.S.

**All major stock markets were closed yesterday for New Year holidays. On Monday, markets were closed in Frankfurt, Paris, Zurich, Amsterdam, Brussels, Stockholm, Madrid, Tokyo, Singapore, Australia and South Africa.**

### LONDON

LEADING equities saw the year out in fine style in London on Monday. The FT Ordinary Share Index breached 950 for the first time to close 7.1 up 12 at 952.3 for a rise of 22¾ per cent over the 12 months. Other main measurements of the trend also settled at record levels with the FT-SE 100-share index 6.6 higher on the day at 1,232.1.

Government securities, however, saw extremely lethargic trade with shorter maturities tending a shade easier, but longer-dated stocks were finally a touch harder where changed.

*Chief price changes, Page 14; Details, Page 15; Share information service, Pages 16–17*

### MILAN

FURTHER gains in share prices enabled Milan to see out the old year with the Banca Commerciale index up 2.14 at a record high of 230.31.

Some of the best advances were recorded among industrials, holding companies and the insurance sector.

Fiat added L55 to L2,150, amid market rumours, denied by the Italian motor manufacturer, that Ford of the U.S. might take a minority stake.

Among insurers, Generali put on L1,110 to L35,000 and RAS advanced L590 to L57,390.

### HONG KONG

A FIRM tone was seen in Monday's half-day Hong Kong trading with the Hang Seng index adding 14.71 to 1,200.38 – 325.44 points higher than its closing level for 1983.

The day's advance was attributed to bargain hunting by local investors in the wake of last Thursday's 29 point decline.

Among key issues, Cheung Kong put on 20 cents to HK$10.40, Hongkong and Kowloon Wharf 5 cents to HK$5.15, and Hongkong Land 8 cents to HK$3.80. Hutchison Whampoa rose 40 cents to HK$18.20 and Jardine Matheson 30 cents to HK$8.70.

### CANADA

SHARES posted modest gains in light Toronto trading on Monday with the market benefitiog from Wall Street's upward trend and a surge among property issues.

The composite index finished 12.3 higher at 2,400.3 although this was 152 points, or six per cent, below the previous year's closing level.

A moderate advance was also seen in Montreal shares.

WALL STREET

## Upbeat tone as 1984 bows out

AN UPBEAT tone was seen on Wall Street as 1984 drew to a close with stock prices closing higher on New Year's Eve in response to the pre-Christmas cut in the Federal Reserve's discount rate and new evidence of a strong U.S. economy, *writes Terry Byland in New York.*

The Dow Jones industrial average added 7.40 to 1,211.57 in brisk pre-holiday trading of 80.3m shares.

In the credit markets, rates edged higher, led by a federal funds rate above 9 per cent. Credit flows were heavily influenced by holiday considerations, and the Fed helped liquidity with $1.5bn in customer repurchase arrangements. For the near-term, further falls in interest rates are likely, and bank prime rates could be cut again in response to lower money market rates.

The stock market's response to the latest cut in the discount rate to 8 per cent has been muted by uncertainty over the outlook for corporate profits. Optimists were encouraged, however, by a sharp 1.3 per cent jump in the leading U.S. economic indicators in November.

Last year was frustrating for investors. After fluctuating between 1,086 and 1,288, the Dow average ended the year with a loss of 3.7 per cent from the 1,258.64 closing level on the last day of 1983.

The Nasdaq composite index, indicating the progress of the over-the-counter markets, also improved as the old year passed on, adding 1.27 to 247.35. Over the year, the Nasdaq composite shed 11.22 per cent, indicating the shakeout among high-technology companies.

Nervousness over Christmas retail sales was again heightened by a disappointing report from Toys R Us, the leading toy seller, which dipped by a further $¾ to $38⅝, following Friday's sharp fall in heavy trading. Other toy retailers also gave ground.

Another weak feature among retailers was Montgomery Ward, $1⅛ down at $19¼ after the sudden resignation of the chief executive, credited with turning the company around.

With the arbitrageurs carrying heavy losses and many investors unhappy with the complicated plan to ward off Mr T. Boone Pickens, Phillips Petroleum shed a further $1¼ to $44¾.

## Indices

### NEW YORK

DOW JONES

| | Dec. 31 | Dec. 28 | Dec. 27 | Dec. 26 | Dec. 24 | 1984 High | 1984 Low | Since Compiltn High | Since Compiltn Low |
|---|---|---|---|---|---|---|---|---|---|
| ●Industrl's | 1211.57 | 1204.77 | 1202.52 | 1208.92 | 1210.14 | 1286.04 (6/1) | 1080.57 (24/7) | 1287.20 (29/11/83) | 41.22 (2/7/82) |
| N'me Bnds | 72.43 | 72.48 | 72.72 | 72.49 | 72.48 | 72.92 (18/12) | 64.51 (25/5) | — | — |
| Transport. | 558.13 | 556.91 | 553.70 | 554.23 | 553.14 | 612.63 (2/1) | 444.03 (25/7) | 612.63 (6/1/84) | 12.32 (8/7/32) |
| Utilities | 149.32 | 146.80 | 146.65 | 146.73 | 147.18 | 149.88 (18/12) | 122.25 (15/6) | 163.72 (20/4/69) | 10.3 (28/4/42) |
| TradingVol 000's | 80,260 | 77,000 | 70,100 | 46,480 | 55,550 | — | — | — | — |

●Day's High 1213.53 (1210.47) low 1199.20 (1196.11)

| | Dec. 14 | Dec. 7 | Nov. 30 | year ago (approx) |
|---|---|---|---|---|
| Industrial div. yield % | 4.99 | 5.04 | 4.92 | 4.54 |

STANDARD AND POORS

| | Dec. 31 | Dec. 28 | Dec. 27 | Dec. 26 | Dec. 24 | 1984 High | 1984 Low | Since Comp'tn High | Since Comp'tn Low |
|---|---|---|---|---|---|---|---|---|---|
| Indust'ls | 186.66 | 185.49 | 184.90 | 185.84 | 186.13 | 181.48 (6/11) | 167.74 (24/7) | 184.04 (10/10/83) | 5.82 (30/6/32) |
| Comp's'te | 167.24 | 166.26 | 165.73 | 166.47 | 166.76 | 170.41 (6/11) | 147.82 (24/7) | 172.76 (10/10/83) | 4.40 (1/6/23) |

| | Nov. 28 | Nov. 14 | Nov. 7 | year ago (approx) |
|---|---|---|---|---|
| Industrial div. yield | 4.12 | 4.07 | 3.93 | 3.72 |
| Industrial P.E ratio | 10.60 | 10.69 | 10.88 | 14.43 |
| Long Gov. Bond yield | 11.37 | 11.71 | 11.37 | 11.49 |

N.Y.S.E. ALL COMMON

| Dec. 31 | Dec. 28 | Dec. 27 | Dec. 26 | 1984 High | 1984 Low |
|---|---|---|---|---|---|
| 96.38 | 95.89 | 95.64 | 96.04 | 98.12 (6/11) | 85.13 (24/7) |

Rises and Falls

| | Dec. 31 | Dec. 28 | Dec. 27 |
|---|---|---|---|
| Issues Traded | (u) | 8,008 | 2,013 |
| Rises | 982 | 827 | 375 |
| Falls | 589 | 643 | 897 |
| Unchanged | (u) | 636 | 541 |
| New Highs | (u) | — | 30 |
| New Lows | (u) | — | 23 |

| TORONTO | Dec. 31 | Dec. 28 | Dec. 27 | Dec. 24 | 1984 High | 1984 Low |
|---|---|---|---|---|---|---|
| Metals & Minerals | 1937.0 | 1928.8 | 1906.16 | 1935.6 | 2524.4 (12/1) | 1643.2 (25/7) |
| Composite | 2400.3 | 2566.8 | 2384.7 | 2595.8 | 2585.7 (6/1) | 2079.7 (24/7) |
| MONTREAL Portfolio | 112.84 | 119.5 | 119.55 | 119.71 | 126.83 (18/1) | 100.36 (24/8) |

NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day | | Stocks traded | Closing price | Change on day |
|---|---|---|---|---|---|---|---|
| Comw. Ed. | 2,691,700 | 27⅝ | — 0⅝ | Toys R U S | 1,112,500 | 39⅝ | — 0⅝ |
| Bell South | 2,352,300 | 25⅝ | + 0⅝ | Nicor | 835,100 | 28⅝ | — 0⅝ |
| Philips Pet. | 1,531,300 | 45⅛ | — 0⅝ | No Inds PS | 780,600 | 11⅛ | — 0⅛ |
| Burroughs | 1,466,900 | 57⅛ | + 0¼ | Storage Tech. | 674,900 | 2⅝ | — 0⅛ |
| ATT | 1,364,100 | 15⅝ | — | N Med. Ent. | 674,000 | 22⅝ | — 0¼ |

| | Dec. 31 | Dec. 28 | Dec. 27 | Dec. 24 | 1984 High | 1984 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ord. (1/1/80) | (c) | 726.1 | 724.2 | 725.2 | 787.8 (6/1) | 546.3 (18/6) |
| Metals & Minls. (1/1/80) | (c) | 482.4 | 411.8 | 409.5 | 567.4 (5/1) | 394.3 (18/12) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (2/1/62) | (c) | 59.37 | 59.1 | 59.2 | 58.37 (28/12) | 55.20 (15/8) |
| **BELGIUM** | | | | | | |
| Belgium SE (31/12/63) | (c) | 158.30 | 158.16 | 158.79 | 165.08 (25/10) | 135.28 (4/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | (c) | 167.56 | 167.38 | 166.79 | 225.21 (20/1) | 161.78 (17/10) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | (c) | 181.40 | 182.3 | 181.4 | 185.8 (26/10) | 155.8 (3/1) |
| Ind Tendance (30/12/83) | (c) | 121.8 | 121.3 | 120.8 | 122.8 (18/12) | 88.4 (3/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | (c) | 381.18 | 379.79 | 376.59 | 381.16 (28/12) | 817.17 (25/7) |
| Commerzbank (1/12/53) | (c) | 1107.8 | 1103.3 | 1093.8 | 1107.8 (28/12) | 817.2 (25/7) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 1200.38 | 1185.67 | 1176.85 | 1206.83 | 1206.83 (26/12) | 746.02 (13/7) |
| **ITALY** | | | | | | |
| Banca Comm Ital. (1972) | 258.31 | 228.17 | 225.92 | 224.95 | 230.31 (31/12) | 192.88 (2/1) |
| **JAPAN**** | | | | | | |
| Nikkei Dow (16/5/49) | (c) | 11542.68 | 11513.5 | 11492.2 | 11577.4 (4/12) | 8703.35 (23/7) |
| Tokyo SE New (4/1/68) | (c) | 915.37 | 906.05 | 921.85 | 913.37 (27/12) | 750.45 (4/1) |
| **NETHERLANDS** | | | | | | |
| ANP-CBS General (1970) | (c) | 181.8 | 121.1 | 181.0 | 182.3 (19/12) | 146.8 (25/7) |
| ANP-CBS Indust (1970) | (c) | 145.3 | 145.2 | 144.5 | 147.2 (12/2) | 118.7 (18/6) |
| **NORWAY** | | | | | | |
| Oslo SE (4/1/83) | (c) | 288.77 | 283.57 | 281.16 | 296.70 (9/5) | 221.87 (4/1) |
| **SINGAPORE** | | | | | | |
| Straits Times (1966) | (c) | 812.61 | 813.69 | 812.38 | 1071.21 (8/2) | 785.26 (21/11) |
| **SOUTH AFRICA** | | | | | | |
| Gold (1958) | (c) | 850.7 | 954.2 | (c) | 1098.8 (16/11) | 738.1 (24/1) |
| Industrial (1958) | (c) | 854.7 | 922.5 | (c) | 1185.3 (26/3) | 853.6 (19/8) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/83) | (c) | 140.66 | 148.38 | 132.82 | 154.51 (8/10) | 102.02 (6/1) |
| **SWEDEN** | | | | | | |
| Jacobson & P (1/1/58) | (c) | 1554.48 | 1647.5 | 1553.9 | 1594.5 (3/2) | 1302.98 (22/11) |
| **SWITZERLAND** | | | | | | |
| Swiss BankCpn. (31/12/58) | (c) | 365.6 | 364.8 | 364.7 | 389.5 (3/1) | 354.5 (26/7) |
| **WORLD** | | | | | | |
| Capital Intl. (1/1/70) | — | — | 187.18 | OT 185.4 | 190.6 (3/6) | 183.2 (14/12) |

** Saturday December 29: Japan Nikkei-Dow (c). TSE (c).

Base values of all indices are 100 except Australia All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. (u) Unavailable.

*Closing prices, December 31*

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 23½ | 16⅛ | AAR | .46 | 2.8 | 14 | 109 | 18⅝ | 18½ | 18½ | +⅛ |
| 30⅛ | 9⅜ | AGS | | | 10 | 153 | 13 | 12⅛ | 12⅞ | -⅛ |
| 22 | 13½ | AMCA | 1 | 8.8 | | 5 | 14⅛ | 14⅝ | 14¼ | +¼ |
| 17⅞ | 13⅝ | AMF | .50 | 3.4 | 81 | 500 | 14½ | 14 | 14½ | +½ |
| 41¼ | 26¾ | AMR | | | 6 | 2137 | 36⅛ | 35⅜ | 36 | -½ |
| 20⅞ | 18¼ | AMR | pf2.18 | 11 | | 28 | 19⅛ | 19¾ | 19½ | +⅛ |
| 41½ | 27½ | AMR | pf2.13 | 5.9 | | 157 | 37¼ | 35½ | 36⅝ | -⅛ |
| 25¼ | 22⅞ | ANR | pf2.67 | 11. | | 4 | 23½ | 23⅛ | 23⅛ | -⅝ |
| 14⅛ | 8⅛ | APL | | | 3 | 65 | 10⅛ | 10½ | 10½ | -¼ |
| 88⅛ | 44⅛ | ASA | 3 | 6.2 | | 346 | 48⅝ | 47⅝ | 48⅛ | -⅛ |
| 30⅛ | 16 | AVX | .32 | 1.8 | 10 | 288 | 17½ | 17 | 17⅛ | +⅛ |
| 48⅛ | 36⅛ | AbtLab | 1.20 | 2.9 | 13 | 1397 | 41½ | 41 | 41⅛ | +⅛ |
| 23⅛ | 16½ | AccoWd | s.44 | 1.9 | 19 | 123 | 22⅛ | 21⅛ | 22⅛ | +½ |
| 27¼ | 12½ | AcmeC | .40 | 3.1 | | 218 | 13¼ | 13 | 13 | -⅛ |
| 12⅛ | 8¼ | AcmeE | .32b | 3.4 | 13 | 61 | 9⅛ | 9⅛ | 9⅛ | +¼ |
| 16⅛ | 15 | AdaEx | 2.11e | 13 | | 47 | 16⅝ | 16⅛ | 16⅛ | -⅛ |
| 18⅞ | 11⅞ | AdmMl | .32 | 2.0 | 8 | 46 | 16 | 15⅛ | 15⅞ | +⅛ |
| 21½ | 8⅛ | AdvSys | .811 | 8.0 | 16 | 350 | 10⅛ | 9⅞ | 10⅛ | +⅛ |
| 41⅛ | 25⅛ | AMD | | | 13 | 1483 | 29⅛ | 29⅛ | 29½ | -⅛ |
| 14⅛ | 6⅞ | Advest | .12 | 1.6 | | 174 | 7⅞ | 7½ | 7⅞ | -⅛ |
| 16⅝ | 6⅛ | Aerflex | | | 8 | 52 | 10⅛ | 10 | 10 | -⅛ |
| 39 | 27¼ | AetnLf | 2.64 | 7.2 | 20 | 2185 | 36⅛ | 36 | 36⅛ | +⅛ |
| 58⅛ | 52⅛ | AetL | pf5.87e | 11. | | 18 | 54½ | 54⅛ | 54⅛ | -⅛ |
| 34½ | 15⅛ | Ahmns | 1.20 | 4.5 | 12 | 209 | 26⅝ | 26⅛ | 26⅛ | +⅛ |
| 8⅛ | 2⅞ | Aileen | | | | 153 | 2⅛ | 2⅛ | 2⅛ | |
| 48⅛ | 36½ | AirPrd | 1.20 | 2.6 | 10 | 1183 | 46⅛ | 45⅞ | 46 | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

B—B—B

C—C—C

D—D—D

E—E—E

F—F—F

G—G—G

H—H—H

I—I—I

J—J—J

K—K—K

L—L—L

M—M—M

N—N—N

O—O—O

P—Q

Continued on Page 13

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# AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

*Closing prices, December 31*

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 7¼ | 3⅞ | ADI | n | | 19 | 91 | 5⅛ | 5⅛ | 5¼ | + ⅛ |
| 3⅛ | 1½ | ADI | wt | | | 137 | 2⅛ | 2 | 2¼ | + ⅛ |
| 3⅞ | ⅛ | AIG Pn | | | | 35 | ⅞ | ⅛ | ⅞ | +1-16 |
| 15⅛ | 8⅛ | ALLab | n .20 | 2.1 | 6 | 6 | 9⅛ | 9⅛ | 9⅜ | + ⅛ |
| 14⅛ | 12 | AMC | n .12 | .9 | 11 | 7 | 14 | 13⅛ | 13⅞ | |
| 3⅛ | 2⅛ | AM | Ind | | | 2405 | 3⅛ | 2⅞ | 3⅛ | + ⅛ |
| 71⅛ | 58 | ATTFd | n5.52e | 7.7 | | 52 | 71⅛ | 70⅝ | 71⅛ | + ⅞ |
| 6½ | 2⅞ | AcmePr | | | 26 | 25 | 4⅞ | 4 | 4⅞ | + ⅛ |
| 10⅛ | 8½ | AcmeU | .32 | 3.3 | 11 | 31 | 9⅝ | 9⅛ | 9⅝ | |
| 16⅛ | 9⅝ | Acton | | | 32 | 41 | 14⅞ | 14½ | 14⅞ | + ½ |
| 8⅛ | 3⅞ | Acton | | | | 185 | 4½ | 4⅛ | 4⅛ | + ⅛ |
| 3⅛ | 5-16 | Actn | wt | | | 6 | ½ | ½ | ½ | |
| 3⅛ | 1½ | AdmRs | | | 2 | 207 | 1⅛ | 1½ | 1½ | |
| 25½ | 15⅛ | AdRust | .14 | .6 | 19 | 136 | 24⅛ | 23⅛ | 24⅛ | + ⅛ |
| 24⅛ | 15 | Adobe | .24 | 1.5 | 10 | 158 | 15⅝ | 15½ | 15½ | − ⅛ |
| 8⅛ | 4⅛ | Aerong | | | 7 | 47 | 6⅛ | 6⅝ | 6⅞ | + ⅛ |
| 25⅛ | 16½ | AlHsp | .44 | 2.2 | 8 | 3 | 19⅝ | 19½ | 19⅝ | − ⅛ |
| 50⅞ | 36½ | AlPub | .80 | 1.7 | 15 | 8 | 48 | 47⅞ | 47⅞ | − ⅞ |
| 9⅛ | 6 | AirExp | | | 10 | 133 | 8⅛ | 7½ | 8⅛ | + ⅛ |
| 5⅛ | 2⅞ | Alamco | | | 7 | 305 | 3⅛ | 2⅞ | 3⅛ | + ⅛ |
| 75⅛ | 72 | AlbaH | n | | | 7 | 74⅛ | 73⅛ | 73⅛ | − ⅛ |
| 14 | 6⅞ | AlbaW | .15f | | 8 | 86 | 7⅛ | 7⅛ | 7⅛ | − ⅛ |
| 4½ | 2 | Alnlne | | | | 3 | 2⅛ | 2⅞ | 2⅞ | − ⅛ |
| 9⅛ | 6⅞ | Aloha | .48r | 7.6 | 1 | 33 | 6½ | 6⅛ | 6⅛ | − ⅛ |
| 22⅛ | 9½ | Alphain | .05 | .4 | 13 | 148 | 11⅛ | 10⅝ | 11⅛ | + ⅛ |
| 1⅛ | ½ | Altex | | | | 420 | 15-16 | 1⅛ | 1⅛ | − ⅛ |
| ⅞ | ⅛ | Altex | wt | | | 23 | 3-16 | ⅛ | ⅛ | −1-16 |
| 34⅛ | 28⅛ | Alcoa | pf3.75 | 12. | | z300 | 31⅛ | 31 | 31 | |
| 22 | 11 | AlzaCp | | | 60 | 157 | 19⅛ | 18½ | 19 | + ⅛ |
| 20⅛ | 9⅛ | Amdahl | .20 | 1.5 | 17 | 574 | 13⅞ | 13 | 13⅞ | + ⅛ |
| 17 | 6½ | Amedco | .08 | 1.0 | | 225 | 8½ | 8 | 8⅛ | − ½ |
| 7⅛ | 4⅛ | AmBilt | .13 | 2.1 | 5 | 17 | 7 | 6⅞ | 7 | + ⅛ |

Continued on Page 14

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 12

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 30½ | 16½ | Wynns | .60 | 3.2 | 7 | 52 | 18⅞ | 18⅞ | 18⅞ | + ⅛ |
| | | **X-Y-Z** | | | | | | | | |
| 51⅛ | 33½ | Xerox | 3 | 7.9 | 11 | 2755 | 38⅞ | 37⅛ | 38 | − ⅛ |
| 50½ | 45½ | Xerox | pf5.45 | 11. | | 31 | 48½ | 48½ | 48½ | − ½ |
| 35⅛ | 19 | XTRA | .64 | 2.8 | 9 | 117 | 23½ | 23 | 23⅛ | + ⅛ |
| 31⅛ | 24 | ZaleCp | 1.32 | 5.1 | 8 | 42 | 26 | 25⅞ | 25⅞ | |
| 24⅞ | 15⅛ | Zapata | .84 | 5.1 | 13 | 858 | 16½ | 16⅛ | 16⅛ | + ⅛ |
| 49 | 28½ | Zayre | .40b | .9 | 12 | 607 | 45⅛ | 44 | 44½ | −1⅛ |
| 38⅝ | 15½ | ZenithE | | | 7 | 2028 | 20 | 19½ | 19⅝ | + ½ |
| 27⅝ | 18 | Zero | .40 | 1.7 | 18 | 50 | 24½ | 23⅞ | 23⅞ | − ½ |
| 30½ | 21⅛ | Zurnin | 1.32 | 5.1 | 11 | 204 | 26⅛ | 25⅛ | 26 | − ⅛ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P-E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

# WORLD STOCK MARKETS

## AUSTRIA

| Dec. 28 | Price Sch% | + or — |
|---|---|---|
| Creditanstalt | 829 | +8 |
| Goesser | 330 | —1 |
| Interunfall | 400 | ..... |
| Laenderbank | 229 | ..... |
| Perlmooser | 364 | —5 |
| Steyr-Daimler | 166 | +1 |
| Veitscher Mag. | 244 | ..... |

## BELGIUM/LUXEMBOURG

| Dec. 28 | Price Frs. | + or — |
|---|---|---|
| B.B.L. | 1,905 | ..... |
| Banq. Int. A. Lux | 5,500 | ..... |
| Bekaert B | 4,500 | +20 |
| Ciment CBR | 3,505 | ..... |
| Cockerill | 270 | +4 |
| Delhaize | 6,600 | ..... |
| EBES | 2,860 | ..... |
| Electrobel | 6,290 | +90 |
| Fabrique Nat | 2,035 | ..... |
| GB Inno BM | 3,205 | ..... |
| GBL (Brux) | 2,060 | —15 |
| Gevaert | 3,600 | +65 |
| Hoboken | 6,200 | +80 |
| Intercom | 2,090 | —25 |
| Kredietbank | 7,740 | ..... |
| Pan Hldgs | 9,700 | ..... |
| Petrofina | 6,860 | ..... |
| Royale Belge | 10,050 | ..... |
| Soc. Gen. Banq | 3,445 | —30 |
| Soc. Gen. Belge | 1,755 | —35 |
| Sofina | 7,720 | +100 |
| Solvay | 4,100 | ..... |
| Stanwick Intl. | 1,450 | +10 |
| Traction el | 4,050 | +60 |
| UCB | 4,950 | —20 |
| Wagon Lits | 2,460 | ..... |

## DENMARK

| Dec. 29 | Price Knr % | + or — |
|---|---|---|
| Andelsbanken | 284 | —7 |
| Baltic Skand | 565 | —10 |
| CopHandelsbank | 288 | +2 |
| D. Sukkerfab | 500 | —10 |
| Danske Bank | 288 | —8 |
| De Danske Luft | 1,175 | ..... |
| East Asiatic | 146 | —5 |
| Forenede Brygg | 795 | +5 |
| Forenede Damp | 98 | ..... |
| GNT Hldg | 375 | +5 |
| I.S.S.B. | 370 | —5 |
| Jyske Bank | 515 | —5 |
| Novo Ind | 1,335 | +20 |
| Privatbanken | 247 | +2 |
| Provinsbanken | 345 | +2 |
| Smidth (F) | 231 | ..... |
| Sophus Berend | 920 | ..... |
| Superfos | 414 | —5 |

## FRANCE

| Dec. 28 | Price Frs. | + or — |
|---|---|---|
| Emprunt 4½% 1973 | 1,640 | +10 |
| Emprunt 7% 1973 | 8,400 | +13 |
| Accor | 237.9 | —0.1 |
| Air Liquide | 670 | —1 |
| BIC | 508 | ..... |
| Bongrain | 1,690 | +5 |
| Bouygues | 691 | —8 |
| BSN Gervais | 2,400 | +10 |
| CIT-Alcatel | 1,271 | +1 |
| Carrefour | 1,215 | +5 |
| Club Mediter'n | 1,059 | +4 |
| Cie Bancaire | 568 | +3 |
| Cofimeg | 242.1 | —0.9 |
| Damart | 2,830 | +40 |
| Darty | 1,080 | +18 |
| Dumez S.A. | 650 | ..... |
| Eaux (Cie Gen) | 630 | —1 |
| Elf-Aquitaine | 217 | —2.5 |
| Essilor | 2,845 | —25 |
| Gen. Occidentale | 637 | —6 |
| Imetal | 72.5 | +0.7 |
| Lafarge Coppee | 561 | +6 |
| L'Oreal | 2,340 | +16 |
| Legrand | 1,860 | +10 |
| Maisons Phenix | 192 | —2.9 |
| Matra S.A. | 1,744 | —1 |
| Michelin B | 750 | +2 |
| Midi (Cie) | 2,155 | —14 |
| Moet-Hennessy | 1,874 | —6 |
| Moulinex | 90.1 | —1.8 |
| Nord Est. | 75.1 | —2.3 |
| Pernod Ricard | 721 | —6 |
| Perrier | 489 | —1 |
| Petroles Fra. | 246.5 | +0.7 |
| Peugeot S.A. | 237 | —7.5 |
| Printemp. Aus. | 189 | +1.6 |
| Radiotech | 217 | +1 |
| Redoute | 1,200 | +10 |
| Roussel-Uclaf | 1,620 | —20 |
| Sefimeg | 299.1 | +0.6 |
| Skis Rossignol | 1,830 | +30 |
| Telemech Elect. | 2,300 | —5 |
| Thomson CSF | 402 | +1 |
| Valeo | 239 | —3 |

## GERMANY

| Dec. 28 | Price Dm. | + or — |
|---|---|---|
| AEG-Telef. | 101.1 | —1.4 |
| Allianz Vers | 963 | —7 |
| BASF | 185.8 | +1.8 |
| Bayer | 193.4 | +3.4 |
| Bayer-Hypo | 335 | —1 |
| Bayer-Verein | 334 | +0.5 |
| BHF-Bank | 273 | —1 |
| BMW | 372 | —1.5 |
| Brown Boveri | 201 | —1.5 |
| Commerzbank | 169.1 | —0.1 |
| Cont'l. Gummi | 115.2 | —1.3 |
| Daimler-Benz | 592 | —0.5 |
| Degussa | 346 | —2 |
| D'sche Babcock | 154 | +2 |
| Deutsche Bank | 383 | —0.5 |
| Dresdner Bank | 192 | +1.5 |
| GHH | 160.5 | +0.5 |
| Hochtief | 499 | +1 |
| Hoechst | 190.7 | +1.5 |
| Hoesch Werke | 98 | —0.5 |
| Holzmann (P) | 360 | —15 |
| Horten | 183.8 | —1.2 |
| Hussel | 282.5 | +4.5 |
| Karstadt | 237.5 | +0.5 |
| Kaufhof | 220.5 | —3.5 |
| KHD | 253 | —2.3 |
| Kloeckner | 70.3 | +0.7 |
| Linde | 395 | —5.1 |
| Lufthansa | 182 | —0.5 |
| MAN | 157.8 | +4.3 |
| Mannesmann | 149 | —0.5 |
| Mercedes Hld. | 503 | +3 |
| Metallgesell | 217.9 | +1.9 |
| Muench Rueck | 1050 | —20 |
| Nixdorf | 619.5 | ..... |
| Porsche | 1024 | +5 |
| Preussag | 258 | +1 |
| Rhein West Elect | 165 | —0.5 |
| Rosenthal | 249.8 | +0.5 |
| Schering | 453 | ..... |
| Siemens | 474.2 | +2.7 |
| Thyssen | 82.4 | ..... |
| Varta | 179 | +3.2 |
| Veba | 171.7 | —0.3 |
| V.E.W. | 122.5 | —0.2 |
| Verein-West. | 303 | +5 |
| Volkswagen | 204.8 | +1.3 |

## ITALY

| Dec. 31 | Price Lira | + or — |
|---|---|---|
| Banca Com'le | 16,600 | +200 |
| Bastogi-IRBS | 177.5 | +7.5 |
| Centrale | 2,900 | ..... |
| Credito Varesino | 3,960 | +50 |
| Fiat | 2,150 | +55 |
| Finsider | 46.5 | +0.5 |
| Generali Assicur. | 35,000 | +1,110 |
| Invest | 2,925 | ..... |
| Italcementi | 67,100 | ..... |
| La Rinascente | 635 | —4 |
| Montedison | 1,400 | ..... |
| Olivetti | 6,875 | —25 |
| Pirelli Co | 3,525 | +25 |
| Pirelli Spa | 1,963 | +3 |
| Snia BPD | 2,194 | +39 |
| Toro Assic. | 12,600 | +20 |
| do. Pref. | 8,680 | +380 |

## NETHERLANDS

| Dec. 28 | Price Fls | + or — |
|---|---|---|
| ACF Holding | 185 | —2.5 |
| AEGON | 148.5 | +1.5 |
| Ahold | 185.9 | +0.2 |
| AKZO | 99.5 | +0.5 |
| ABN | 363 | +1 |
| AMEV | 204.5 | +2.5 |
| AMRO | 64.5 | +0.7 |
| Bredero Cert | 144.5 | +0.5 |
| Bos Kalis Westm. | 13.3 | +0.3 |
| Buehrmann-Tet. | 74.2 | +0.4 |
| Calland Hldgs | 53 | ..... |
| Dordtsche Pet'm | 158.5 | +3.2 |
| Elsevier-NDU | 112.5 | —1.5 |
| Fokker | 86 | +2 |
| Gist Brocades | 173 | —0.3 |
| Heineken | 145.5 | —0.5 |
| Hoogovens | 64.8 | +0.5 |
| Int Mueller | 42.2 | —0.3 |
| KLM | 45.8xc | +0.2 |
| Naarden | 47 | ..... |
| Nat Ned Cert | 252 | +3.3 |
| Ned Mid Bank | 144 | ..... |
| Nedlloyd | 153.9 | —0.1 |
| Oce Grinten | 284.5 | +2.5 |
| Ommeren (Van) | 28.5 | +0.1 |
| Pakhoed | 69.5 | —0.3 |
| Philips | 55.1 | +0.3 |
| Robeco | 69.1 | —0.4 |
| Rodamco | 136.7 | +0.2 |
| Rolinco | 62.3 | —0.4 |
| Rorento | 45.7 | ..... |
| Royal Dutch | 171.5 | +2.5 |
| Unilever | 307.5 | +2.3 |
| VMF Stork | 139 | —0.8 |
| VNU | 203.8 | +0.9 |
| West Utr Bank | 120.9 | —0.1 |

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

## NORWAY

| Dec. 28 | Price Kroner | + or — |
|---|---|---|
| Bergens Bank | 167.5 | ..... |
| Borregaard | 335 | —20 |
| Christiania Bank | 156 | +1.5 |
| Den Norske Cred | 166 | +3.5 |
| Elkem | 115 | +9 |
| Kvaerner | 172.5 | —1 |
| Norsk Data | 377.5 | +0.5 |
| Norsk Hydro | 96xa | ..... |
| Storebrand | 213 | —6 |

## SPAIN

| Dec. 28 | Price Pts % | + or — |
|---|---|---|
| Bco Bilbao | 317 | +3 |
| Bco Central | 305 | —3 |
| Bco Exterior | 200 | ..... |
| Bco Hispano | 165 | —3 |
| Bco Popular | 348 | +1 |
| Bco Santander | 324 | +1 |
| Dragados | 163 | ..... |
| Hidrola | 79.2 | +0.2 |
| Iberduero | 83.5 | ..... |
| Petroleos | 143.7 | +1.7 |
| Telefonica | 83 | ..... |

## SWEDEN

| Dec. 28 | Price Kronor | + or — |
|---|---|---|
| AGA | 370 | +6 |
| Alfa-Laval | 194 | +2 |
| ASEA (Free) | 315 | —6 |
| Astra (Free) | 325 | +5 |
| Atlas Copco | 86 | +1 |
| Cardo (Free) | 258 | +3 |
| Cellulosa | 118 | ..... |
| Electrolux B | 241 | +3 |
| Ericsson | 253 | —8 |
| Esselte | 300 | —10 |
| Mo Och Domsjo | 269 | +3 |
| Pharmacia | 183 | ..... |
| Saab Scania Free | 430 | ..... |
| Sandvik | 315 | +3 |
| Skandia | 265 | —5 |
| Skan Enskilda | 63 | —1 |
| SKF | 167 | —2 |
| St Kopparbergs | 159 | +4 |
| Sven Handelsbn. | 189 | +1 |
| Swedish Match | 260 | +4 |
| Volvo B (Free) | 207 | —8 |

## SWITZERLAND

| Dec. 28 | Price Frs. | + or — |
|---|---|---|
| Alusuisse | 731 | —1 |
| Bank Leu | 6,740 | +30 |
| Brown Boveri | 1,380 | +10 |
| Ciba Geigy | 8,470 | —10 |
| do. (Part Certs) | 2,030 | +5 |
| Credit Suisse | 2,325 | ..... |
| Elektrowatt | 2,615 | —5 |
| Fischer (Geo.) | 605 | ..... |
| Hoff-Roche PtCts | 85,000 | —500 |
| Hoff-Roche 1/10 | 8,600 | —60 |
| Jacobs Suchard | 6,375 | +25 |
| Jelmoli | 1,910 | ..... |
| Landis & Gyr | 1,570 | ..... |
| Nestle | 6,600 | +60 |
| Oer-Buehrle | 1,260 | —20 |
| Pirelli | 254 | —1 |
| Sandoz (Br) | 7,000 | +25 |
| Sandoz (PtCts) | 1,140 | +25 |
| Schindler (PtCts) | 635 | ..... |
| Sika | 1,020 | ..... |
| Surveillance | 3,900 | +10 |
| Swissair | 1,065 | +5 |
| Swiss Bank | 355 | ..... |
| Swiss Reinsce | 8,400 | +100 |
| Swiss Volksbk | 1,475 | ..... |
| Union Bank | 6,580 | +5 |
| Winterthur | 3,300 | ..... |
| Zurich Ins | 18,025 | —25 |

## AUSTRALIA

| Dec. 28 | Price Aust $ | + or — |
|---|---|---|
| ANZ Group | 5.16 | +0.08 |
| Alliance Oil Dev. | 1.05 | ..... |
| Ampol Pet. | 1.9 | +0.05 |
| Ashton | 0.83 | ..... |
| Aust Cons Ind. | 1.9 | ..... |
| Aust. Guarantee | 2.65 | ..... |
| Aust. Nat. Inds | 2.45 | ..... |
| Aust. Paper | 2.18 | +0.02 |
| Bell Group | 4.7 | +0.2 |
| Bell Res. | 4.3 | +0.1 |
| Bond Corp Hldgs | 1.17 | +0.01 |
| Boral | 3.2 | +0.02 |
| Bougainville | 1.65 | ..... |
| Brambles Inds. | 3.58 | +0.03 |
| Bridge Oil | 2.55 | ..... |
| B.H. Prop. | 8.06 | +0.04 |
| CRA | 4.92 | +0.02 |
| CSR | 2.75 | ..... |
| Carlton Utd. | 4.30 | ..... |
| Castlemaine Tys. | 4.25 | ..... |
| Coles (G.J.) | 3.95 | +0.05 |
| Comalco "A" | 2.08 | ..... |
| Consolidated Pet | 0.59 | ..... |
| Costain Aust | 1.4 | ..... |
| Dunlop Aust. | 1.95 | —0.01 |
| Elders IXL | 6.09xo | ..... |
| Energ Res. | 1.4 | —0.02 |

## AUSTRALIA (continued)

| Dec. 28 | Price Aust. $ | + or — |
|---|---|---|
| Gen Prop Trust | 8.16 | ..... |
| Hardie (James) | 3 | ..... |
| Hartogen Energy | 2.3 | +0.1 |
| Herald W'yTimes | 3.4 | ..... |
| ICI Aust. | 2.05 | ..... |
| Jimberlana F.P. | 0.3 | ..... |
| Kia Ora Gold | 0.12 | +0.01 |
| Lend Lease | 6.22 | ..... |
| MIM | 2.3 | —0.04 |
| Mayne Nickless | 2.9 | —0.05 |
| Myer Emporium | 1.66 | —0.01 |
| Nat. Aust. Bank | 3.48 | —0.05 |
| News | 10.4 | ..... |
| Nicholas Kiwi | 6.18 | ..... |
| North Bkn Hill | 2 | —0.05 |
| Oakbridge | 0.7 | +0.05 |
| Pancont'l | 1 | +0.02 |
| Pioneer Conc. | 1.60 | ..... |
| Poseidon | 2.65 | —0.13 |
| Queensland Coal | 1.1 | +0.03 |
| Reckitt & Coln. | 3.08 | ..... |
| Repco | 1.09 | —0.03 |
| Santos | 6.54 | —0.02 |
| Smith (Howard) | 5.3 | —0.03 |
| Thos. Natwide | 1.72 | ..... |
| Tooth | 6.8 | ..... |
| Vamgas | 3.15 | +0.05 |
| Western Mining | 2.8 | —0.05 |
| Westpac Bank | 3.45xr | —0.05 |
| Woodside Petrol. | 0.87 | —0.05 |
| Woolworths | 2.56 | —0.04 |
| Wormald Intl | 3.1 | ..... |

## HONG KONG

| Dec. 31 | Price H.K.$ | + or — |
|---|---|---|
| Bank East Asia | 23.8 | +0.2 |
| Cheung Kong | 10.4 | +0.2 |
| China Light | 12.1 | —0.1 |
| Evergo | 1.49 | ..... |
| Hang Seng Bank | 42.0 | +0.5 |
| HK Electric | 6.7 | +0.1 |
| HK Kowloon Wh. | 6.15 | +0.05 |
| HK Land | 3.8 | +0.08 |
| HK Shanghai Bk. | 7.95 | +0.05 |
| HK Telephone | 48.5 | +1 |
| Hutchison Wpa. | 18.2 | +0.4 |
| Jardine Math. | 8.7 | +0.3 |
| New World Dev. | 6.25 | +0.15 |
| Orient O'seas | 2.72 | —0.03 |
| O'seas Trust Bk. | 2.75 | +0.15 |
| SHK Props | 7.85 | +0.05 |
| Shell Elect. | 1.91 | —0.04 |
| Swire Pac A | 81.5 | +0.4 |
| TV—B | 5.05 | ..... |
| Wheel'k Mard A. | 3.82 | +0.5 |
| Wheel'k M'time | 1.13 | ..... |
| World Int. Hldgs. | 1.73 | +0.02 |

## JAPAN

| Dec. 28 | Price Yen | + or — |
|---|---|---|
| Ajinomoto | 1,120 | +50 |
| Alps Electric | 1,910 | —40 |
| Amada | 1,050 | —40 |
| Asahi Chem | 738 | +23 |
| Asahi Glass | 900 | +28 |
| Bridgestone | 516 | —17 |
| Canon | 1,340 | +40 |
| Casio Comp | 1,760 | ..... |
| Chugai Pharm | 1,140 | +10 |
| Citizen | 570 | —8 |
| Daiei | 631 | ..... |
| Dai Nippon Ptg | 872 | —3 |
| Daiwa House | 690 | —16 |
| Ebara | 335 | +4 |
| Eisai | 1,330 | —20 |
| Fanuc | 11,300 | +260 |
| Fuji Bank | 1,350 | +40 |
| Fuji Film | 1,550 | —70 |
| Fujisawa | 1,110 | —50 |
| Fujitsu | 1,350 | +40 |
| Green Cross | 1,610 | —10 |
| Hasegawa | 378 | +8 |
| Heiwa Real Est. | 600 | —3 |
| Hitachi | 860 | —3 |
| Hitachi Credit | 1,160 | —10 |
| Honda | 1,210 | —10 |
| House Food | 687 | ..... |
| Hoya | 2,160 | +60 |
| Itoh (C) | 324 | —9 |
| Ito Yokado | 2,550 | —20 |
| Iwatsu | 1,310 | —10 |
| JACCS | 338 | +3 |
| JAL | 5,540 | +140 |
| Jusco | 750 | +20 |
| Kajima | 280 | ..... |
| Kao Soap | 805 | +4 |
| Kashiyama | 623 | ..... |
| Kirin | 555 | +3 |
| Kokuyo | 825 | ..... |
| Komatsu | 471 | +6 |
| Konishiroku | 601 | —1 |
| Kubota | 325 | ..... |
| Kumagai | 548 | —2 |
| Kyoto Ceramic | 5,980 | +60 |
| Maeda Const. | 488 | ..... |
| Makino Milling | 1,150 | ..... |
| Makita | 1,030 | +10 |
| Marubeni | 308 | +2 |
| Marudai | 654 | +4 |
| Marui | 1,060 | ..... |
| MEI | 1,560 | +10 |
| M'ta Elec Works | 630 | —2 |
| M'bishi Bank | 1,320 | +30 |
| M'bishi | 555 | +1 |
| M'bishi Elec. | 410 | +2 |
| M'bishi Estate | 688 | —1 |

## JAPAN (continued)

| Dec. 29 | Price Yen | + or — |
|---|---|---|
| MHI | 263 | —8 |
| Mitsui Co | 342 | —4 |
| Mitsui Estate | 735 | —21 |
| Mitsukoshi | 369 | —1 |
| NGK Insulators | 580 | —25 |
| Nihon Cement | 211 | —3 |
| Nippon Denso | 1,350 | —40 |
| Nippon Elect | 1,220 | —10 |
| Nippon Express | 359 | ..... |
| Nippon Gakki | 1,330 | —30 |
| Nippon Kokan | 143 | ..... |
| Nippon Oil | 830 | —18 |
| Nippon Seiko | 652 | —1 |
| Nippon Shimpan | 605 | —8 |
| Nippon Steel | 155 | +1 |
| Nippon Suisan | 328 | —2 |
| NTV | 13,000 | +200 |
| Nippon Yusen | 272 | —19 |
| Nissan Motor | 635 | +5 |
| Nisshin Flour | 490 | —10 |
| Nisshin Steel | 184 | —1 |
| Nomura | 892 | +7 |
| Olympus | 1,100 | —20 |
| Orient Leasing | 3,350 | ..... |
| Pioneer | 2,670 | —20 |
| Renown | 635 | —12 |
| Ricoh | 931 | —6 |
| Sankyo | 1,020 | —30 |
| Sanyo Elect. | 460 | —2 |
| Sapporo | 400 | —19 |
| Sekisui Prefab | 576 | —5 |
| Seven-Eleven | 935 | —25 |
| Sharp | 1,100 | —50 |
| Shimadzu | 824 | —6 |
| Shionogi | 697 | —4 |
| Shiseido | 1,110 | ..... |
| Sony | 3,550 | ..... |
| Stanley | 850 | +2 |
| S'tomo Bank | 1,830 | —40 |
| S'tomo Elect | 935 | —5 |
| S'tomo Marine | 663 | +4 |
| S'tomo Metal | 156 | —3 |
| Taihei Dengyo | 515 | —10 |
| Taisei Corp | 207 | —1 |
| Taisho Pharm | 880 | +4 |
| Takeda | 805 | —2 |
| TDK | 4,960 | —140 |
| Teijin | 432 | +15 |
| Teikoku | 655 | —5 |
| Tokyo Marine | 724 | —6 |
| TBS | 850 | ..... |
| Tokyo Elect Pwr | 1,800 | —60 |
| Tokyo Gas | 174 | —8 |
| Tokyo Sanyo | 708 | —13 |
| Tokyo Style | 770 | +4 |
| Tokyu Corp | 327 | +14 |
| Toppan Print | 872 | +2 |
| Toray | 448 | +7 |
| Toshiba Elect | 420 | —1 |
| TOTO | 680 | —5 |
| Toyo Seikan | 815 | +5 |
| Toyota Motor | 1,220 | —10 |
| Victor | 1,250 | —30 |
| Wacoal | 720 | —15 |
| Yamaha | 715 | —2 |
| Yamanouchi | 2,730 | +150 |
| Yamazaki | 650 | —5 |
| Yasuda Fire | 371 | +6 |
| Yokogawa Bdge. | 470 | ..... |

## SINGAPORE

| Dec. 28 | Price $ | + or — |
|---|---|---|
| Boustead Hldgs | 1.73 | ..... |
| Cold Storage | 2.62 | —0.02 |
| DBS | 5.75xe | —0.05 |
| Genting | 4.92 | +0.02 |
| Haw Par. Bros. | 2.11 | +0.02 |
| Hong Leong Fin. | 3.2 | +0.04 |
| Inchcape Bhd | 2.47 | —0.03 |
| Keppel Shipyard | 1.56 | ..... |
| Malay Banking | 6.55 | —0.05 |
| Malay Utd. Ind | 2.5 | +0.05 |
| Multi Purpose | 0.99 | +0.01 |
| OCBC | 9 | ..... |
| OUB | 3.94 | +0.14 |
| Public Bank | 1.72 | —0.01 |
| Sime Darby | 1.79 | +0.01 |
| Singapore Press | 6.15 | +0.1 |
| Straits Trdg | 4.6 | —0.05 |
| Tat Lee Bk. | 2.8 | —0.02 |
| UOB | 4.3 | ..... |

## SOUTH AFRICA

| Dec. 28 | Price Rand | + or — |
|---|---|---|
| Abercom | 1.3 | ..... |
| AE&CI | 7.7 | ..... |
| Anglo Am Coal | 41 | +1.25 |
| Anglo Am Corp | 23 | +1.2 |
| Anglo Am Gold | 164 | +3 |
| Barclays Bank | 16.5 | ..... |
| Barlow Rand | 10.75 | +0.25 |
| Buffels | 68 | ..... |
| CNA Gallo | 2.6 | ..... |
| Currie Finance | 4.35 | ..... |
| De Beers | 8.2 | —0.1 |
| Driefontein | 50 | ..... |
| FS Geduld | 45.5 | —0.25 |
| Gold Fields SA | 26 | —0.2 |
| Highveld Steel | 3.6 | ..... |
| Nedbank | 11.8 | ..... |
| OK Bazaars | 15 | ..... |
| Protea Hldgs | 1.5 | ..... |
| Rembrandt | 28 | ..... |
| Rennies | 14.35 | ..... |
| Rust Plat | 15.65 | +0.4 |
| Sage Hldgs | 7.5 | ..... |
| SA Brews | 6.9 | ..... |
| Smith (CG) | 21.75 | ..... |
| Tongaat Hulett | 7.1 | ..... |
| Unisec | 6.5 | +0.2 |

## CANADA

*We regret this listing is incomplete due to a computer error*

| Stock | Dec. 31 | Dec. 28 |
|---|---|---|
| AMCA Intl. | 18¾ | 19 |
| Abitibi | 32¾ | 33 |
| Agnico Eagle | 12⅛ | 11⅝ |
| Alberta Energy | 19⅞ | 19¾ |
| Alcan Aluminium | 37½ | 37½ |
| Algoma Steel | 18¾ | 18½ |
| Argus Inc | 17¾ | 17¾ |
| Bank Montreal | 25½ | 25¼ |
| Bank Nova Scotia | 13½ | 13¾ |
| BCE | 35½ | 35⅝ |
| Bombardier | 18¼ | 18¼ |
| Bow Valley | 17 | 17 |
| BP Canada Res. | 26 | 25⅝ |
| Brascan A | 30 | 30⅛ |
| Brinco | 1.84 | 1.84 |
| B.C. Forest | 10⅛ | 10¼ |
| CIL Inc | 24⅝ | 24 |
| Cad'n Fairview | 15 | 15 |

| Stock | Dec. 31 | Dec. 28 |
|---|---|---|
| Campbell Red Lk. | 23⅞ | 23¾ |
| Can. Cement Pt. | 11⅛ | 11⅛ |
| Can. NW Energy | 26½ | 24¼ |
| Can. Packers | 28 | 28½ |
| Can. Trustco | 31½ | 31½ |
| Can. Imp. Bank | 29⅝ | 29¼ |
| Can. Pacific | 60 | 50 |
| Can. Occ. Ents. | 24½ | 24⅝ |
| Can. Tire G | 9⅛ | 9 |
| Canfor | 11⅝ | 11⅛ |
| Carling O'Kfe. | 16¼ | 15 |
| Chieftain | 13½ | 13¼ |
| Cominco | 12 | 12⅛ |
| Conigas Mines | 6¼ | 6¼ |
| Cons. Bathst. A | 16 | 16 |
| Cooper Lake | 0.69 | 065 |
| Coremark Intl. | 7 | 6⅞ |
| Costain | 9¼ | 9⅛ |
| Denison Mines A | 15½ | 15½ |
| Dofasco | 23⅝ | 23⅝ |

| Stock | Dec. 31 | Dec. 28 |
|---|---|---|
| Dome Mines | 9¼ | 9⅝ |
| Dome Petroleum | 2.16 | 2.20 |
| Domtar | 33½ | 33⅝ |
| Falconbridge | 79½ | 79½ |
| Fed. Inds A | 20 | 20 |
| Grandis A | 25⅝ | 24⅝ |
| Genstar | 29½ | 26½ |
| Giant Y'knife | 13 | 13 |
| Gt. West Life | 3.30 | 3.30 |
| Gulf Canada | 16⅝ | 15⅝ |
| Hawker Sid. Can. | 17¼ | 17¼ |
| Hudson's Bay | 17¼ | 17⅛ |
| Husky Oil | 11½ | 11 |
| Imasco | 47½ | 47¼ |
| Imperial Oil A | 42⅝ | 42⅝ |
| Inco | 19¼ | 16 |
| Indal | 11¼ | 11 |
| Int. Pipe. | 34½ | 34⅝ |
| Labatt (John) | 21¾ | 21½ |
| Lac Minerals | 26¼ | 26 |

| Stock | Dec. 31 | Dec. 29 |
|---|---|---|
| Loblaw | 19 | 19 |
| Macmil. Bloedel | 25½ | 25⅝ |
| Marks & Spencer | 6¾ | 6¾ |
| Massey Ferguson | 3.65 | 6.60 |
| McIntyre Mines | 35¼ | 35¼ |
| Mitel Corpn. | 7¾ | 7⅝ |
| Molson A | 16⅝ | 16½ |
| Moore Corpn | 69⅞ | 69⅞ |
| Nat. Sea Prods A | 5⅛ | 5⅛ |
| Noranda Inc | 17⅛ | 17⅛ |
| Norcen Energy | 15½ | 15¼ |
| Nth. Telecom | 45⅛ | 46⅛ |
| Nova Alberta | 7⅛ | 7⅛ |
| Numac Oil | 14½ | 14⅝ |
| Oakwood Pet. | 5 | 4.85 |
| Pan Can Pet. | 28 | 27⅞ |
| Patino | — | — |
| Placer Dev. | 28¼ | 82⅝ |
| Power Corp | 29⅛ | 28⅛ |
| Quebec Sturgeon | 3.85 | 3.70 |

| Stock | Dec. 31 | Dec. 29 |
|---|---|---|
| Ranger Oil | 6⅛ | 6¼ |
| Reed Stenhs. | 17 | 17 |
| Rio Algom | 20 | 20⅛ |
| Royal Bank A | 30⅞ | 30⅝ |
| Royal Trust A | 18 | 17⅞ |
| Sceptre Res. | 5⅝ | 6¼ |
| Seagram | 63 | 51⅝ |
| Sears Can. Inc. | 7⅝ | 7⅝ |
| Shell Canada Oil | 22¼ | 88 |
| Stelco | 20⅝ | 20⅝ |
| Teck B | 10⅛ | 10⅛ |
| Texaco Canada | 36¾ | 35⅝ |
| Thomson New. | 50⅝ | 50⅝ |
| Toronto Dom. Bk | 18⅝ | 19⅝ |
| Trizec A | 24¼ | 24½ |
| Trans. Can. Pipe. | 81¾ | 81½ |
| Walker Hiram | 24½ | 23⅝ |
| Westcoast Tra. | 15¼ | 15 |
| Weston (Geo.) | 74¼ | 74¼ |



# OVER-THE-COUNTER

*Nasdaq national market, closing prices, December 31*

Continued from Page 11

| Stock | Sales (Hlnds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## LONDON

**Monday's chief price changes**

**RISES**

| | | |
|---|---|---|
| Addison Comms. | 207 | +12 |
| Arrow Chemicals | 55 | +5 |
| Bentalls | 81 | +6 |
| Booker McConn. | 233 | +10 |
| British Land | 149 | +5½ |
| Charter Cons | 205 | +5 |
| Coats Patons | 148 | +7 |
| Espley Trust | 20 | +5 |
| Fisons | 298 | +8 |
| Glass Glover | 298 | +23 |
| Gresham House | 275 | +25 |
| Guinness (A) | 244 | +13 |
| Hanson Trust | 342 | +14 |
| Hepworth (J) | 188 | +12 |
| Lucas Inds | 254 | +6 |
| McCorquodale | 190 | +10 |
| Midland Bank | 373 | +8 |
| Phoenix Timber | 142 | +10 |
| RHM | 137 | +8 |
| Reard. Smith A | 9 | +3½ |
| Shell Transport | 655 | +8 |
| TSL Therm Synd | 95 | +9 |
| Telephone Rent. | 215 | +8 |
| Thorn EMI | 484 | +17 |
| Tomkins (FH) | 145 | +7 |
| Trusthouse Forte | 146 | +5 |
| Wardle Storeys | 174 | +7 |

**FALLS**

| | | |
|---|---|---|
| Brown (Matt) | 280 | —30 |

# AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 13

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# LONDON STOCK EXCHANGE

## MARKET REPORT

# Equities see year out on optimistic note with index at new all-time high

**Account Dealing Dates**

| Option *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| Dec 10 | Dec 20 | Dec 21 | Jan 7 |
| Dec 24 | Jan 10 | Jan 11 | Jan 21 |
| Jan 14 | Jan 24 | Jan 25 | Feb 4 |

* "New-time" dealings may take place from 9.30 am two business days earlier.

Leading equities saw the year out in fine style in London on Monday. The FT Ordinary share index breached 950 for the first time to close 7.1 up on the session at 952.3 for a rise of 22½ per cent over the twelve months. Other main measurements of the trend also settled at record levels with the FT-SE 100-share index 6.6 higher on the day at 1,232.2.

Investment optimism was reinforced by the Chancellor's re-iterated determination rigorously to control public expenditure and reduce taxes, endorsed by the Prime Minister in her New Year message.

Institutional operators, having completed most of year-end requirements during the previous Friday's bout of activity, generally retired to the sidelines but equity dealers were kept busy throughout the morning by a constant stream of buying orders from private clients. These were usually directed at the numerous New Year recommendations, emanating from both broking houses and the week-end Press.

Any group, industrial or financial, with overseas earning potential received attention following sterling's resumed weakness. The rate fell to $1.1550 against the dollar before recovering to $1.1590 and it was also easier against European currencies.

British Telecom, easily December's brightest star, continued to trade briskly. Larger investors who missed out on application were still keen to obtain stock and Telecom ended 2½ higher at the best yet of 105½p.

For Government securities, however, there was no glitter. Cautious New Year predictions for this area together with the pound's plight sent potential buyers deeper into their shells. The upshot was an extremely lethargic trade with quotations adopting a ragged look. Shorter maturities tended a shade easier but longer-dated stocks were finally a touch harder where changed.

### Banks improve

The Argentinian credit agreement with the IMF gave a mild boost to the major clearing banks. Midland rose 8 to 373p and NatWest firmed 6 to 588p, while Lloyds, 535p, and Barclays, 565p, both added 3. Elsewhere, Charterhouse J. Rothschild, which recently sold its near-25 per cent stake in Hambro Life to BAT Industries, slipped 3 to 105p on suggestions that the group may launch a bid for Britannia Arrow.

Satisfactory new business figures failed to sustain Prudential which fell away to close a net 12 down at 498p. Britannic slipped 4 to 594p, but Pearl hardened 3 to 983p. Among Composites, Commercial Union opened higher at 191p reflecting demand late on Friday, but the price subsequently drifted back to close just 3 dearer on balance at 188p. Lloyds broker Willis Faber moved up 9 to 596p on occasional buying.

Among recently-issued equities, Candover Investments continued to attract buyers and the close was 14 higher at 220p. Chemical concern Wardle Storeys moved up 7 to 174p following an investment recommendation.

For the fourth consecutive trading session, business in Breweries was dominated by Arthur Guinness which responded afresh to a broker's "buy" recommendation and advanced 13 more to 244p, having earlier attained a new 1984 peak of 245p; the annual results are expected mid-way through January. Recent speculative high-flier Matthew Brown came down to earth with a sizeable bump, falling 30 to 280p as traders finally took heed of the company's bid denial; leading brokers have expressed scepticism over widespread rumours that expansion-minded Scottish and Newcastle is set to launch a bid for the Blackburn-based brewer. In contrast, Belhaven, the Dunbar concern headed by Mr Nazmu Virani, attracted renewed speculative attention and rose 3 to 43p.

Leading Building issues continued to make selective progress. Blue Circle, the subject of New Year investment advice, rose 5 to 480p, but Tarmac slipped 4 to 518p following the placing of 14.3m shares to finance the acquisition of the quarrying, ready mixed concrete and concrete block-making assets in Florida of Lone Star Industries. Elsewhere, buying ahead of the annual results, due on January 17 lifted SGB 4 to 142p. Wettern Brothers improved 4 to 70p on speculative interest, while Leyland Paint added a penny to 33p following newsletter comment. Phoenix Timber, also on 1985 recommendation lists, gained 10 to 142p.

ICI gave a steady performance and the close was unchanged at 736p. Elsewhere in the Chemical sector, Arrow attracted speculative buying and moved up 5 to 55p, while a newsletter recommendation lifted Coates Brothers 10 to 155p.

### Hepworth wanted

The encouraging start to the New Year sales prompted support of leading Retailers although demand remained selective and some gains were exacerbated by stock shortage. Burton, 421p, and Debenhams, 215p, rose 7 and 6 respectively. MFI, helped by an investment recommendation rose 9 to 265p. J. Hepworth again found favour and touched 191p before settling a net 12 higher at 186p, while consideration of the company's asset value lifted Bentalls 6 more to 81p. Press comment aided Helen of London, 2 better at 27½p.

Thorn EMI continued to attract buyers and put on 17 further to 484p for a rise of 36 in the past two trading sessions; the interim figures are due on January 10. Other leading issues traded quietly but were inclined firmer. Elsewhere, Telephone Rentals, the subject of bid suggestions in the week-end Press, advanced 8 more to 215p, while Quest Automation responded to a newsletter recommendation with a rise of 5 to 80p.

Leading Engineers passed a quiet session, but a small flurry of buying activity lifted TI 4 to 238p. Occasional movements in secondary issues included R.H.P., 5 to the good at 99p, and S. W. Wood, up 2 further at 23p.

Ranks Hovis McDougall, one of the Food sector's perennial takeover favourites, figured prominently in the ultimate trading session; renewed speculative buying in a market short of stock lifted the price 8 to 137p. Unigate were also a firm counter, at 146p, up 4, while Cadbury Schweppes rose the same amount to 163p on overseas earnings considerations. Among Retailers, Associated Dairies hardened 2 to 164p on news of the acquisition of the Odhams site in Watford from BPCC for an undisclosed sum as part of the group's expansion into the South East of England. Tesco firmed 3 to 239p and Argyll rose 6 afresh to 271p.

Hotels finished on a firm note. *Trusthouse Forte* rose 5 to 146p; the annual results are expected around the middle of this month. Ladbroke firmed 4 to 262p following an investment recommendation, while Ryan Hotels hardened ½ to 21½p on take over hopes.

### Hanson Trust feature

Prominent among the host of New Year tips, Hanson Trust encountered further persistent demand and put on 14 to 342p; Powell Duffryn, currently the subject of a share exchange offer from Hanson, improved 6 to 442p. Elsewhere among the miscellaneous industrial leaders, Pilkington Bros, also the subject of a 1985 recommendation, moved up 12 to 303p ex the rights issue: the new nil-paid shares opened at around 45p premium and advanced to 50p premium before settling at 48p premium. BTR were a quieter market, but edged up further to close 8 dearer at 614p, while Reed International hardened 4 to 542p.

Secondary issues were not left out of the New Year selection and included Thermal Syndicate, 9 dearer at 95p, F. H. Tomkins, 7 up at 145p, and Fisons, 8 higher at 298p. A. Russell were 8 to the good at 91p. Press mention stimulated good demand for BBA which touched 60p before settling 3 higher at 58p. Rank Organisation continued to attract support at 292p, up 6, the preliminary figures are due on January 29. Booker McConnell, up to 236 at one stage, came back to close 10 higher on balance at 233p following the company's denial of a Press article suggesting that the group is contemplating a restructuring involving the disposal of its food distribution division. Dealings were temporarily suspended in Barget, at 10p, pending clarification of the company's financial position.

Proceedings in a relatively idle Motor sector were enlivened by a batch of New Year recommendations. Lucas Industries, a nervous market of late, rallied 8 to 254p, while Reliant, firm recently on persistent speculative demand, hardened 2 more to 53p. Automotive Products rose 4 to 67p.

Paper/Printings were notable for fresh takeover speculation in specialist printers McCorquodale which advanced 10 more to 190p, after 193p; inevitably, Mr Robert Maxwell's British Printing and Communication was suggested as a likely suitor.

Features in Properties tended to embrace stocks included in New Year recommendation lists. British Land were prominent for this reason and the close was 5½ higher at 149p; the 12 per cent Convertible rose 14 points to £468.

Troubled Shipping concern Reardon Smith attracted speculative demand and closed 5 to the good at 17p with the A shares 3½ dearer at 9p.

Investment Trusts finished the year on a bright note. Gresham House featured with an advance of 25 at 275p, after 280p, following the newsletter recommendation. Noteworthy rises were also seen for Lowland, 238p, Continental and Industrial, 527p, and Globe, 254p. Financials continued to highlight Mercantile House which again reflected hopes of a takeover by Merrill Lynch, and with the additional aid of "call" option business, rose 11 more to 353p. Henderson Administration rose 10 further to 610p as investors continued to reappraise the company following the sale of its 50 per cent holding in Henderson Baring Management to Baring Brothers. M & G rose a similar amount to 735p.

### Oils dip and rally

A flurry of profit-taking, after OPEC's tentative agreement on pricing, differentials and production levels, put paid to the recent rally in leading Oils but by the close many issues had rallied sufficiently to end the day with only marginal losses on balance. Initially sold down to 483p, BP recovered to close only a fraction easier at 487p, while LASMO were 2 off at 323p and Britoil 5 cheaper at 200p. Enterprise Oil showed a rise of 3 at 183p, reflecting favourable Press comment. Shell were an exception to the general rule and attracted good support throughout the session to close 8 higher at 655p, helped by U.S. buying interest.

Among secondary issues Jackson Exploration, a 1985 Press selection, advanced 8 to 103p, but recent speculative favourite Falcon Resources succumbed to profit-taking and settled 3 off at 200p.

### Golds firmer

South African Golds ended the year on a firm note but gains were generally a reflection of the latest decline in sterling against the dollar. Bullion failed to give much of a lead to share prices, holding steady at $309 an ounce throughout the session; at the close of 1983, the metal price was changing hands around $382 an ounce. During 1984 the bullion price has moved above $400 on three occasions and dipped below $300 at one point in the run-up to Christmas.

Activity in Gold shares on Monday was negligible but the affects of currency fluctuations provided sufficient improvements in sterling quotations to produce a 4.8 rise to 478.9 in the Gold Mines Index. Over the 12-month period, the index has fallen 96.8 despite having reached the 700 level twice during March.

Monday's best performances came from Randfontein, £1½ firmer at £84½. Harmony, ½ up at £12½, and Winkelhaak, ½ to the good at £35½; the last-named were wanted following news that the company is considering a major expansion of mining operations.

Financials attracted persistent small support. Rio Tinto-Zinc, selected as a New Year Press "tip" rose 3 to 585p, while Consolidated Gold Fields hardened a few pence to 490p. Charter Consolidated rose afresh to close 205p, up 5, on hopes that the Minorco/Anglo American/De Beers grouping will continue to increase their stakes in Charter. De Beers were steady at 362p in front of the 1984 diamond sales figure, which is expected in around two weeks time.

Trading in Australians was virtually non-existent but Samantha Exploration were the subject of speculative support and edged up 2 to a year's best of 49p following a Press recommendation.

Traded Options finished 1984 in encouraging fashion with 6,741 contracts struck. British Telecom, which has greatly enlivened proceedings since its introduction in early December, recorded 1,964 calls, 801 in the February 110's 3 dearer at 5½p, and 740 puts. Jaguar also remained to the fore, attracting 1,333 calls with the March 240's and 260's accounting for 600 and 489 trades respectively.

## FINANCIAL TIMES STOCK INDICES

| | Dec. 31 | Dec. 28 | Dec. 27 | Dec. 24 | Dec. 21 | Dec. 20 | year ago |
|---|---|---|---|---|---|---|---|
| Government Secs | 81.71 | 81.68 | 81.86 | 82.02 | 81.96 | 81.88 | 83.10 |
| Fixed Interest | 86.35 | 86.34 | 86.35 | 86.61 | 86.66 | 85.49 | 86.35 |
| Ordinary | 952.3 | 943.2 | 939.0 | 926.0 | 904.3 | 880.3 | 771.2 |
| Gold Mines | 478.9 | 474.1 | 472.6 | 477.7 | 422.1 | 464.6 | 678.6 |
| Ord. Div. Yield | 4.63 | 4.66 | 4.63 | 4.65 | 4.63 | 4.61 | 4.61 |
| Earnings, Yld.% (full) | 11.51 | 11.60 | 11.77 | 11.22 | 11.23 | 11.72 | 9.42 |
| P/E Ratio (net) (*) | 10.43 | 10.36 | 10.20 | 10.16 | 10.13 | 10.24 | 12.95 |
| Total bargains (Est.) | 17,696 | 14,111 | 12,091 | — | 22,612 | 25,222 | 16,769 |
| Equity turnover £m. | — | 189.35 | 116.7 | 252.3 | 474.73 | 480.74 | 160.83 |
| Equity bargains | — | 14,810 | 2,698 | 2,885 | 96,421 | 25,859 | 13,140 |
| Shares traded (ml) | — | 116.6 | 69.2 | 141.6 | 238.5 | 931.8 | 83.9 |

10 am 947.7. 11 am 948.6. Noon 949.7. 1 pm 950.6.
2 pm 951.3. 3 pm 951.3.

Basis 100 Govt. Secs. 15/1/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil = 10.09.

## HIGHS AND LOWS

| | 1984 High | 1984 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|
| Govt. Sec. | 83.77 (9/1) | 76.72 (30/7) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Int. | 87.48 (14/3) | 80.43 (30/7) | 150.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary | 952.3 (31/12) | 755.3 (25/7) | 952.6 (31/12/84) | 49.4 (26/6/40) |
| Gold Mines | 711.7 (9/3) | 452.9 (19/12) | 734.7 (15/2/83) | 43.5 (26/10/71) |

## S.E. ACTIVITY

| | Dec. 28 | Dec. 27 |
|---|---|---|
| Daily Gilt Edged Bargains | 85.7 | 66.6 |
| Equities Bargains | 96.0 | 69.9 |
| Value | 382.6 | 966.2 |
| 5-day Average Gilt Edged Bargains | 92.8 | 100.0 |
| Equities Bargains | 106.6 | 122.1 |
| Value | 614.6 | 716.0 |

## ACTIVE STOCKS

Above average activity was noted in the following stocks on Monday.

| Stock | Closing price | Day's change |
|---|---|---|
| Belhaven Brewery | 43 | + 3 |
| Booker McConnell | 233 | +10 |
| Brown (Matthew) | 280 | −30 |
| Burton | 421 | + 7 |
| Globe Inv. Tst. | 254 | + 5 |
| Hanson Trust | 342 | +14 |
| Hepworth (J.) | 186 | +12 |
| Pilkington Bros. | 303xr | +12 |
| RHP | 99 | + 3 |
| RHM | 137 | + 2 |
| Shell Transport | 655 | + 2 |
| Thorn EMI | 484 | +17 |

## FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

| Stock | No. of changes | Last Fri. close | Day's change |
|---|---|---|---|
| Brown (M) | 22 | 310 | +28 |
| Thorn EMI | 16 | 467 | +19 |
| BP | 14 | 488 | +13 |
| Grand Met. | 13 | 315 | +13 |
| Hanson Trust | 13 | 328 | +10 |
| BTR | 12 | 606 | +12 |
| Brit. Telecom. | 12 | 103½ | + 3 |
| Assoc. Dairies | 11 | 162 | + 2 |
| Guinness (A) | 11 | 231 | +11 |
| ICI | 11 | 736 | — |
| Midland Bank | 11 | 365 | + 1 |
| Normans | 11 | 74½ | + 5 |
| Shell Trans. | 11 | 647 | +15 |
| Dee Corp. | 10 | 206 | + 8 |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 34 | 17 | 53 |
| Corpns. Dom. & Foreign Bonds | 5 | 6 | 59 |
| Industrials | 398 | 96 | 938 |
| Financial & Prop. | 148 | 36 | 363 |
| Oils | 19 | 21 | 87 |
| Plantations | 6 | 2 | 12 |
| Mines | 38 | 12 | 177 |
| Others | 106 | 18 | 101 |
| Totals | 751 | 207 | 1,740 |

## EQUITIES

[illegible]

## FIXED INTEREST STOCKS

[illegible]

## "RIGHTS" OFFERS

| Issue price | Amount paid up | Latest Renunc. date | 1984 High | 1984 Low | Stock | Closing price | +or− |
|---|---|---|---|---|---|---|---|
| 6 | F.P. | 14/12 | 6 | 6½ | Amalgamated Estates [illegible] | [illegible] | [illegible] |
| 80 | F.P. | 16/1 | 84 | 80 | Attwoods | [illegible] | [illegible] |
| 64 | Nil | — | 9pm | 5pm | Bairstow Eves [illegible] | [illegible] | [illegible] |
| 176 | Nil | — | 40pm | 40pm | Birmingham [illegible] | [illegible] | [illegible] |
| 65 | Nil | — | 24pm | 14pm | Carr's Milling | [illegible] | [illegible] |
| 143 | F.P. | 30/1 | 179 | 169 | Equipu | [illegible] | [illegible] |
| 60 | F.P. | 11/1 | 34½ | 31 | Jecks (Wm.) | [illegible] | [illegible] |
| 80 | Nil | — | 20pm | 12pm | LCP Hldgs. | [illegible] | [illegible] |
| 196 | F.P. | 18/1 | 292 | 218 | Marshalls Hal[illegible] | [illegible] | [illegible] |
| 24 | Nil | — | 1½pm | 1½pm | Morris (W.) [illegible] | [illegible] | [illegible] |
| 116 | Nil | — | 30pm | 28pm | Notts. Brick | [illegible] | [illegible] |
| 32 | Nil | — | 3pm | 1pm | Steaua Romana [illegible] | [illegible] | [illegible] |
| 6 | Nil | 30/1 | 3½pm | 1½pm | Tranwood 5p | [illegible] | [illegible] |
| 250cts | Nil | — | 67½pm | 67½pm | Westpac $A1 | 62pm | −5½ |

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital: cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. P Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ■ Allotment letters or fully-paid. ‡‡ Introduction. Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share.

## OPTIONS

| First Dealings | Last Dealings | Last Declaration | For Settlement |
|---|---|---|---|
| Dec 17 | Jan 4 | Mar 21 | Apr 1 |
| Jan 7 | Jan 18 | Apr 11 | Apr 22 |
| Jan 21 | Feb 1 | Apr 25 | May 7 |

*For rate indications see end of Share Information Service*

Money was given for the call of Premier Oil, Readicut, S. W. Wood, Burmah Oil, Atlantic Resources, Falcon Resources, Espley Trust, Bairstow Eves, Combined Technologies, Norfolk Capital, Charterhouse J. Rothschild, Owners Abroad, Star Computer, BSR, Amstrad, Consumer Electronics, Mercantile House and Barratt Developments. No puts or doubles were recorded.

## NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (198)
AMERICANS (16)
CANADIANS (4)
BANKS (2)
BREWERS (6)
BUILDINGS (8)
CHEMICALS (6)
STORES (10)
ELECTRICALS (5)
ENGINEERING (14)
FOODS (11)
HOTELS (2)
INDUSTRIALS (35)
INSURANCE (8)
MOTORS (3)
PAPER (6)
PROPERTY (5)
SHIPPING (2)
SHOES (1)
TEXTILES (1)
TOBACCOS (1)
TRUSTS (51)
OVERSEAS TRADERS (1)
MINES (1)

NEW LOWS (5)
ELECTRICALS (2)
Cifer Kode Intl.
INDUSTRIALS (2)
Dwek Vinten
MINES (1)
Colby Resources

## FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

## FIXED INTEREST

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p. CONSTITUENT CHANGES: Link House (32) has been deleted and replaced by Tunstall Telecom (5). NAME CHANGE: Refuge Assurance [illegible]

## EUROPEAN OPTIONS EXCHANGE

| Series | | Feb. Vol. | Feb. Last | May Vol. | May Last | Aug. Vol. | Aug. Last | Stock |
|---|---|---|---|---|---|---|---|---|
| GOLD C | $325 | 909 | 4.50 | 7 | 12 | — | — | $308.50 |
| GOLD C | $330 | 28 | 2 | 13 | 4.50 | — | — | " |
| GOLD C | $350 | — | — | — | — | 3 | 6 | " |
| GOLD C | $400 | 10 | 0.10 | — | — | — | — | " |
| GOLD P | $300 | 15 | 4.30 | 10 | 0.50 | — | — | " |
| GOLD P | $325 | 19 | 16.50 | — | — | — | — | " |

[illegible]

TOTAL VOLUME IN CONTRACTS: 11,400.

A=Ask B=Bid C=Call P=Put

## LONDON TRADED OPTIONS

| Option | | Calls Jan. | Calls Apr. | Calls Jly. | Puts Jan. | Puts Apr. | Puts Jly. |
|---|---|---|---|---|---|---|---|
| B.P. (*486) | 380 | 106 | 108 | — | 1 | 6 | — |
| | 420 | 76 | 78 | — | 1½ | 6 | — |
| | 460 | 40 | 47 | 62 | 4 | 14 | 22 |
| | 500 | 10 | 26 | 30 | 25 | 37 | 43 |
| | 550 | 6 | 12 | — | 65 | 73 | — |

[illegible]

| Option | | Calls Feb. | Calls May. | Calls Aug. | Puts Feb. | Puts May. | Puts Aug. |
|---|---|---|---|---|---|---|---|
| Imperial Cp. (*177) | 140 | 38 | 46 | — | 1 | 3 | — |
| | 160 | 20 | 24½ | 27 | 2½ | 6 | 8 |
| | 180 | 8 | 10 | 14 | 11 | 13 | 16 |
| LASMO (*323) | 280 | 47 | — | — | 6 | — | — |
| | 300 | 32 | 42 | 47 | 6 | 16 | 18 |

[illegible]

Dec. 31. Total contracts 6,741. Calls 5,043. Puts 1,698.
* Underlying security price.

# FT LONDON SHARE INFORMATION SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| 1984 High | Low | Stock | Price £ | + or - | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 105⅞ | 100 | Treas. 15pc 1985 | 100 | ..... | 14.91 | 9.89 |
| 102 | 100 | Exch. 12pc Cnv. '85 | 100½ | ..... | 11.94 | 9.50 |
| 97 | 93 | Treas 3pc 1985 | 97 | ..... | 3.08 | 9.90 |
| 102⅞ | 99½ | Treas 11½pc 1985 | 100 | — | 11.41 | 10.02 |
| 99¾ | 90 | Treas 8¼pcCnv '85 | 99 | ..... | 8.83 | 10.16 |
| 104 | 99⅞ | Exch. 12¼pc 1985 | 101 | ..... | 12.05 | 10.16 |
| 103 | 99 | Exch. 11¾pc '86 | 101¼ | ..... | 11.61 | 10.46 |
| 102 | 90 | Treas. 10pcCnv 1986 | 99 | — | 10.04 | 10.50 |
| 93 | 88¾ | Treas 3pc 1986 | 93 | + | 3.22 | 6.36 |
| 102 | 96¾ | Exch. 10½pc Cv '86 | 99 | — | 10.55 | 10.55 |
| 104 | 99 | Treas 12pc 1986 | 101⅝ | — | 11.81 | 10.74 |
| 98¼ | 93½ | Treas 8¼pc 1984-86‡‡ | 97 | + | 8.75 | 10.61 |
| 108 | 102 | Exch. 14pc 1986 | 105 | — | 13.32 | 10.76 |
| 89¾ | 85 | Exch. 2½pc 1986 | 88⅞ | + | 2.81 | 9.94 |
| 107 | 100 | Exch. 13¼pc 1987 | 104 | — | 12.70 | 10.87 |
| 100⅞ | 94½ | Treas 10½pcCv '87 | 98 | — | 10.79 | 10.95 |
| 87¼ | 83¾ | Exch 2½pc 1987 | 86 | ..... | 2.89 | 9.56 |
| 101 | 94½ | Exch. 10½pc 1987 | 99 | ..... | 10.59 | 10.89 |
| 92¼ | 87 | Funding 6½pc '85-87‡‡ | 91 | + | 7.10 | 10.68 |
| 99⅞ | 92⅞ | Treas. 10pc 1987 | 98 | ..... | 10.19 | 10.86 |
| 86¾ | 81 | Treas 3pc 1987 | 85½ | — | 3.51 | 9.61 |
| 105 | 97¾ | Treas. 12pc 1987 | 102 | — | 11.73 | 11.00 |
| 94⅞ | 87 | Treas 7¾pc 1985-88‡‡ | 92½ | ..... | 8.38 | 10.70 |
| 100¾ | 92 | Exch 10½pc '88 | 98¼ | — | 10.68 | 11.11 |
| 90 | 89 | Treas 9¼pc Cv '88 | 96 | — | 10.15 | 11.15 |
| 82¾ | 77 | Transport 3pc '78-88 | 82 | + | 3.66 | 9.14 |
| 96 | 88 | Treas. 9½pc '88 | 94 | — | 10.03 | 11.23 |
| 106¼ | 94 | Treas 11½pc 1989 | 100⅞ | — | 11.40 | 11.20 |
| 96 | 87 | Treas 9½pc Cnv. '89 | 94⅝ | — | [illegible] | 11.09 |
| 99⅞ | 90 | Treas 10½pc 1989 | 97 | — | 10.75 | 11.17 |

### Five to Fifteen Years

### Over Fifteen Years

### Undated

### Index-Linked

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

## CORPORATION LOANS

## COMMONWEALTH AND AFRICAN LOANS

## LOANS

### Building Societies

### Public Board and Ind.

### Financial

## FOREIGN BONDS & RAILS

## AMERICANS

## CANADIANS

## BANKS, HP AND LEASING

### Hire Purchase, Leasing, etc.

## BEERS, WINES AND SPIRITS

## BEERS, WINES—Cont.

## BUILDING INDUSTRY, TIMBER AND ROADS

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## DRAPERY & STORES—Cont.

## ELECTRICALS

## ENGINEERING

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## HOTELS—Continued

## INDUSTRIALS (Miscel.)

## INDUSTRIALS—Continued

[illegible]

## INSURANCES

[illegible]

## LEISURE

[illegible]

## LEISURE—Continued

[illegible]

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

[illegible]

### Commercial Vehicles

[illegible]

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY—Continued

[illegible]

## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## INVESTMENT TRUSTS—Cont.

[illegible]

### Finance, Land, etc

[illegible]

## OIL AND GAS

[illegible]

## OIL AND GAS—Continued

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Finance

[illegible]

### Diamond and Platinum

[illegible]



## MINES—Continued

### Central African

[illegible]

### Australians

[illegible]

### Tins

[illegible]

### Miscellaneous

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 410 | 210 | ♥Centennial Min's. | 340 | -10 | — | — | — |
| 175 | 75 | ♥Colby Res Corp. | 75 | -5 | — | — | — |
| 955 | 560 | Cons. Murch. 10c | 550 | ..... | †Q100c | 1.4 | 8.3 |
| 36 | 25 | ♦Emess Int. 1r10p | 30 | ..... | — | — | — |
| 252 | 150 | Hampton Areas 10p | 160xd | ..... | 3.75 | 2.1 | 3.1 |
| 225 | 140 | ♥Highwood Res. | 165 | ..... | — | — | — |
| £24½ | £16 | Homestake Mining $1 | £18¾ | +½ | Q20c | — | 0.9 |
| 295 | 135 | ♥McFinley Red Lake | 265 | +25 | — | — | — |
| 290 | 101 | ♥Muso Explorations | 295 | ..... | — | — | — |
| 55 | 23 | ♥New Sabina Res C$1 | 32 | +1 | — | — | — |
| 365 | 220 | Northgate C$1 | 265 | +5 | — | — | — |
| 718 | 500 | RTZ | 585 | +3 | †18.0 | 2.7 | 4.4 |
| £155½ | £113½ | Do. 9½pcLn '95-2000 | £129½ | +½ | Q9½% | 35.4 | †7.6 |
| £11¼ | 850 | ♥Tara Expln $1 | £10 | ..... | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †‡ Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1986. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv 20p | 90 | ..... | Arnott | 150 | ..... |
| Craig & Rose £1 | £11 | ..... | CPI Hldgs | 49 | ..... |
| Finlay Pkg. 5p | 44 | ..... | Carrol Inds. | 86½ | ..... |
| Higsons Brew | 83 | ..... | Dublin Gas | 65 | ..... |
| Holt (Jos) 25p | 880 | ..... | Hall (R. & H.) | 43 | ..... |
| IoM Stm. £1 | 130 | +10 | Heiton Hldgs. | 15 | +½ |
| IRISH | | | Irish Ropes | 32xd | ..... |
| Exch 12% 1985 | £96¼ | ..... | Jacob (W.& R.) | 68 | -5 |
| Nat. 9¾% 84/89 | £83¾ | +⅛ | TMG | 72 | ..... |
| Fin. 13% 97/02 | £87½ | +⅛ | Unidare | 78 | ..... |

## OPTIONS — 3-month call rates

| | | | | | |
|---|---|---|---|---|---|
| Industrials | p | Hanson Tst. | 22 | Vickers | 18 |
| Allied-Lyons | 15 | Hawker Sidd | 28 | | |
| BAT | 30 | Hse of Fraser | 28 | Property | |
| BOC Grp. | 24 | ICI | 50 | Brit Land | 14 |
| BSR | 15 | 'Imps' | 14 | Cap Counties | 18 |
| Babcock | 13 | Jaguar | 18 | Land Secs | 24 |
| Barclays Bank | 42 | Ladbroke | 20 | MEPC | 30 |
| Beecham | 30 | Legal & Gen | 42 | Peachey | 24 |
| Blue Circle | 46 | Lex Service | 32 | Samuel Props | 14 |
| Boots | 18 | Lloyds Bank | 42 | Sterling Guar. | 5½ |
| Bowaters | 36 | Lucas Inds | 24 | | |
| Brit Aerospace | 34 | Marks & Spcr | 20 | Oils | |
| Brit. Telecom | 7½ | Midland Bk | 33 | Brit. Oil & Min | 4½ |
| Brown (J.) | 3 | NEI | 9 | Brit Petroleum | 30 |
| Burton Ord | 32 | Nat West Bk | 84 | Burmah Oil | 19 |
| Cadburys | 14 | P & O Dfd | 24 | Charterhall | 6 |
| Comm Union | 15 | Plessey | 20 | Premier | 6 |
| Courtaulds | 11 | Polly Peck | 25 | Shell | 55 |
| Debenhams | 19 | Racal Elect | 24 | Tricentrol | 22 |
| Distillers | 24 | RHM | 10 | Ultramar | 22 |
| Dunlop | 5 | Rank Org Ord. | 24 | | |
| FNFC | 7 | Reed Intnl | 50 | Mines | |
| Gen Accident | 42 | Sears | 7 | Charter Cons | 23 |
| Gen Electric | 20 | TI | 10 | Cons Gold | 42 |
| Glaxo | 90 | Tesco | 0 | Lonrho | 14 |
| Grand Met | 25 | Thorn EMI | 42 | Rio T Zinc | 60 |
| GUS 'A' | 55 | Trust Houses | 12 | | |
| Guardian | 58 | Turner Newall | 9 | | |
| GKN | 16 | Unilever | 80 | | |

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 15

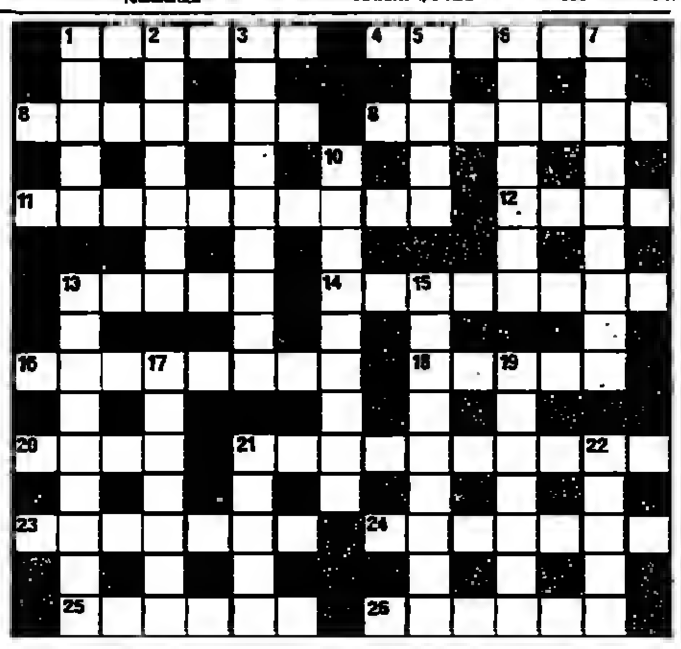
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

## INSURANCES

## F.T. CROSSWORD PUZZLE No. 5,607



**ACROSS**

1 & 4 Newspaper man torpid, so rest is ordered (6,6)
8 Two girls show a bit of leg! (7)
9 Rook in conflict makes clattering noise (7)
11 Hope priest produces musical refrain (10)
12 Minister of Health once said it is near (4)
13 Way one in Hamburg acquires a mug (5)
14 A quiet river position is suitable (8)
16 Study island mass (8)
18 Cockney lifts part of a roof (5)
20 Tolerate speculator (4)
21 Plan and direct TV programme (10)
23 Rogue is in song in Greek department (7)
24 New dressing not right for plots (7)
25 Door-keeper gets a drink (6)
26 Hall chain (6)

**DOWN**

1 Distinguish hallmark (5)
2 Supervise finished bishopric (7)
3 It shows ability to 20 (9)
5 It may be played for one who is late (5)
6 Chewing nuts with tea may cause lock-jaw (7)
7 Demo. gets set-back: expels (9)
10 It's simple to follow talk in a shebeen (9)
13 Once sport is organised, there may be a bloomer (9)
15 Gradually part with something to eat (9)
17 Aristocrat upset losing a race becomes a pirate (7)
19 Play badly with anger seeing blackmailer (7)
21 Scholar in eastern state (5)
22 Music for one in outskirts of Newport (5)

**Solution to Puzzle No. 5,606**

هكذا اصله الأصل



# INSURANCE, OVERSEAS & MONEY FUNDS

## OFFSHORE AND OVERSEAS

**Target Trust Mngrs (Jersey) Ltd**
PO Box 184, St Helier, Jersey. 0534 72936

| | | | | |
|---|---|---|---|---|
| Mae Cur Fd | 106.0 | 111.8 | +0.3 | 4.11 |

**Tennant (Cayman) Managers Ltd and NATICO**
PO Box 2189, Grand Cayman. 0101 (809) 9497436

| | | | | |
|---|---|---|---|---|
| Wstmstr-Cm | $7.86 | 8.06 | .... | — |

**Tokyo Pacific Holdings NV**
Intimis Management Co NV, Curacao.
NAV per share $133.71.

**Tokyo Pacific Hldgs (Seaboard) NV**
Intimis Management Co NV, Curacao.
NAV per share $97.57.

**Tyndall Bank (Isle of Man) Ltd**
30 Athol St, Douglas, IoM 0624 29201

| | | | | |
|---|---|---|---|---|
| Stg Mny Fd | 9.125 | Nil | Qtr | Chq/7 |
| US$MnyAcc | 7.250 | Nil | Qtr | Chq/7 |

**Tyndall Managers**
2 New St, St Helier, Jersey. 0534 3735103

| | | | | |
|---|---|---|---|---|
| TOFSL | 198.1 | 212.8 | .... | 1.17 |
| American | 213.0 | 230.0 | .... | 1.74 |
| Far Eastern | 269.0 | 258.0 | .... | 0.67 |
| European | 114.2 | 122.4 | .... | 0.81 |
| Prtfio Man | 106.4 | 114.3 | .... | — |
| Prtfio Amer | 102.6 | 110.6 | .... | — |
| PrtfioStl Est | 110.3 | 11d.1 | .... | — |
| PrtfioStlEuro | 107.2 | 114.8 | .... | — |
| Jersey Fd | 172.6 | 188.8xd | .... | 4.89 |
| (Non-J Acuts) | 423.4 | 461.0 | .... | — |
| Gilt Funds | 115.6 | 117.8xd | .... | 10.17 |
| (AccumShs) | 312.0 | 317.4 | .... | — |

Victory House, Douglas, IoM. 0624 24111

| | | | | |
|---|---|---|---|---|
| HighIntGilt | 111.6 | 113.6 | .... | 12.38 |
| (Accum Shs) | 214.4 | 218.4 | .... | — |

**Tyndall International Assurance Ltd**
Albert House, St Peter Port, Guernsey. 0481 27066

| | | | | |
|---|---|---|---|---|
| Int Equity | 444.1 | 464.4 | .... | — |
| Do $ | 5.156 | 5.430 | .... | — |
| PacificEqty | 139.3 | 146.7 | .... | — |
| Do $ | 1.625 | 1.715 | .... | — |
| NAmerEqty | 95.4 | 100.5 | .... | — |
| Do $ | 1.115 | 1.175 | .... | — |
| UK Equity | 309.0 | 325.3 | .... | — |
| Do $ | 3.610 | 3.800 | .... | — |
| Euro Eqty | 110.6 | 126.3 | .... | — |
| Do $ | 1.400 | 1.475 | .... | — |
| IntlFxdInc | 474.6 | 409.6 | .... | — |
| Do $ | 5.550 | 5.845 | .... | — |
| StlgFxdInt | 274.3 | 288.8 | .... | — |
| Do $ | 3.205 | 3.575 | .... | — |
| $ Deposit | 149.3 | 157.2 | .... | — |
| Do $ | 1.745 | 1.840 | .... | — |
| StgDeposit | 157.4 | 165.7 | .... | — |
| Do $ | 1.840 | 1.940 | .... | — |
| Commdity | 463.6 | 468.4 | .... | — |
| Do $ | 5.425 | 5.715 | .... | — |
| Gold | 80.8 | 85.1 | .... | — |
| Do $ | 0.945 | 0.995 | .... | — |
| UK Prpty | 105.2 | 205.5 | .... | — |
| Do $ | 2.280 | 2.400 | .... | — |
| Intl Mngd | 370.0 | 386.5 | .... | — |
| Do $ | 4.325 | 4.655 | .... | — |
| UK Mangd | 263.6 | 277.5 | .... | — |
| Do $ | 3.080 | 3.245 | .... | — |

**Tyndall-Guardian Mngt Ltd**
PO Box 1256, Hamilton, Bermuda.

| | | | |
|---|---|---|---|
| T-G American | $19.85 | −0.28 | — |
| T-G Money | $24.22 | +0.04 | — |
| T-G Eurobond | $16.99 | −0.09 | — |
| T-G Commodity | $23.04 | +0.03 | — |
| T-G Mortgage | C$23.04 | +0.75 | — |
| T-G Overseas | $11.02 | −0.07 | — |
| T-G Pacific | Y2,108 | +10 | — |
| T-G Wall Street | $25.76 | .... | — |
| T-G Gold | $7.55 | +0.08 | — |

**M. G. Tyrrell & Co Ltd**
PO Box 475, London W13 9NY.

| | | | | |
|---|---|---|---|---|
| Ortac | $11.65 | 11.95 | .... | — |

**Unico Invest Fd Mgt Co SA Lux**
London & Continental Bankers Ltd,
2 Throgmorton Ave, London. 01-638 6111

| | | | | |
|---|---|---|---|---|
| UC Inv Fd | 570.51 | 72.70 | .... | — |

**Union-Investment-Gesellschaft GmbH**
Postfach 16767, D 6000, Frankfurt 16.

...

| | | | | |
|---|---|---|---|---|
| WwdGthFd | $1.20 | — | .... | — |

**Wren Commodity Management Ltd**
10 St George St, Douglas, IoM. 0624 25015

| | | | | |
|---|---|---|---|---|
| Wren Com Fd | 12.7 | 13.2 | .... | 5.10 |
| Chinese Fd | 58.8 | 61.2 | .... | 1.70 |
| PrecMetFd | 80.3 | 83.6 | .... | 8.30 |
| VangCmdyFd | 22.8 | 23.4 | .... | — |
| FinMuturesFd | 32.4 | 33.8 | .... | — |

**Yamaichi Dynamic Mngt Co SA**
10a Boulevard Royal, Luxembourg.

| | | | | |
|---|---|---|---|---|
| Dynamic Grth Fd | $8.77 | | .... | — |

## Money Market Trust Funds

| | Nom | Apr | Int Cr | Notice |
|---|---|---|---|---|
| **The Money Market Trust** | | | | |
| 53 Qn Victoria St, EC4B 4ST. 01-236 0952 | | | | |
| Call Fund | 9.28 | 9.46 | 6mth | Call |
| 7-day Fund | 9.38 | 9.60 | 6mth | 7-day |
| **Oppenheimer Money Management Ltd** | | | | |
| 66 Cannon St, EC4N 6AE. 01-236 1425 | | | | |
| C II Fund | 8.77 | 8.95 | 6mth | Call |
| 7-day Fund | 8.93 | 9.12 | 6mth | Call |
| Mny Mg Ac | 8.75 | 9.04 | 6mth | Call |
| Dollar | 7.25 | 7.38 | 6mth | 2-day |

## Money Market Bank Accounts

| | Nom | Apr | Int Cr | Notice |
|---|---|---|---|---|
| **Aitken Hume** | | | | |
| 30 City Road, EC1Y 2AY. 01-638 6070 | | | | |
| TreasuryAcc | 9.375 | 9.71 | Qtr | Call |
| MthIntChq | 9.25 | 9.65 | Mth | Call |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St, EC2P 2EH. 01-628 8060 | | | | |
| Cheque Acc | 9.25 | 9.65 | Mth | Call |
| **Barclays Prime Account** | | | | |
| PO Box 125, Northampton. 0604 252891 | | | | |
| High Int Chq | 8.25 | 8.57 | Qtr | Call |
| **Britannia Grp of Investment Companies** | | | | |
| 29 Finsbury Circ, EC2M 5QL. 01-555 2777 | | | | |
| Cater Allen | 9.00 | 9.38 | Mth | Call |
| **Charterhouse Japhet plc** | | | | |
| 1 Paternoster Row, EC4M 7DH. 01-248 3999 | | | | |
| Sterling | 9.25 | 9.652 | Mth | Call |
| U.S. Dollar | 8.00 | 8.300 | Mth | Call |
| German Marks | 5.0 | 5.116 | Mth | Call |
| Swiss Francs | 2.0 | 2.018 | Mth | Call |
| Japanese Yen | 5.0 | 5.116 | Mth | Call |
| **Choulartons** | | | | |
| 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW. 061-929 9011 | | | | |
| Cheque Acc | 9.75 | 10.20 | Mth | Call |
| **Co-operative Bank** | | | | |
| 78-80 Cornhill, EC3. 01-626 6543 Ext 485 | | | | |
| Under £1,000 | 8.00 | 8.24 | Qtr | Call |
| Over £1,000 | 10.00 | 10.58 | Qtr | Call |
| **Darlington & Co Ltd** | | | | |
| Darlington, Totnes, Devon, TQ9 6JE. [illegible] | | | | |
| MnyMktAcc | 9.50 | 89.94 | Qtr | Call |
| **Henderson/Bank of Scotland** | | | | |
| 38 Threadneedle St EC2. 01-628 8060 | | | | |
| MyMtChqAc | 9.25 | 9.65 | Mth | Call |
| **Lombard North Central plc** | | | | |
| 17 [illegible] St, W1A 3DH. 01-409 3434 | | | | |
| Notice Dep | 9.75 | 10.12 | Rate | 14-day |
| **M & G Kleinwort Benson** | | | | |
| 91-99 New London Rd, Chelmsford. 0245 [illegible] | | | | |
| HighIntChqAc | 9.30 | 9.74 | Daily | Call |
| **Midland Bank plc** | | | | |
| PO Box 2, Sheffield. 0742 20999 Ext 8758 | | | | |
| High Int Chq | 9.30 | 9.62 | Qtr | Call |
| **Save & Prosper/Robert Fleming** | | | | |
| 28 Western Rd, Romford, RM1 3LB. 0708 66966 | | | | |
| HighIntMkAc | 9.00 | 9.41 | Daily | Call |
| Premier Acc | 9.00 | 9.41 | Daily | Call |
| **Tyndall & Co** | | | | |
| 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241 | | | | |
| Demand Acc | 8.94 | 9.24 | Qtr | Call |
| Money Acc | 9.25 | 9.57 | Qtr | Chq/7 |
| **J. Henry Schroder Wagg & Co Ltd** | | | | |
| Enterprise House, Portsmouth. 0705 [illegible] | | | | |
| Special Acc | 8.65 | 9.21 | Mth | Call |
| Over $10,000 | 9.10 | 9.48 | Mth | Call |

NOTES—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

**NOTES**

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered prices include all expenses if bought through managers. z Previous day's price. ● Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. :: Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase.

# COMMODITIES AND AGRICULTURE

## Squeeze tightens for London copper

BY JOHN EDWARDS, COMMODITIES EDITOR

THE "SQUEEZE" on immediately available supplies tightened on the London copper market again on Monday forcing the higher grade cash price to a small premium over the three months quotation. News of yet another decline in warehouse stocks, down to the lowest level for nearly three years, boosted higher grade cash copper by £11.75 to £1,140 a tonne, while the three months quotation gained £6.75 to £1,139.

Lead, too, continued to be dominated by the pressure on immediately available supplies. Some selling of cash metal found little demand and the price plunged by £49.5 to close at £340.5 a tonne. It was confirmed on Monday that Amax workers had voted to end their seven-month strike at the company's Missouri lead mine and smelter.

The weaker trend in the value of sterling against the dollar boosted tin values, with the high grade cash price trading at £10,000 a tonne for the first time but still remaining at a large discount to the Strait tin price in Kuala Lumpur.

Meanwhile, Mr Jacques Lion, chairman of the LME Board, confirmed that the exchange was satisfied that contractual obligations would be met by Lonconex, the "ring dealing" member, whose owners announced last week that it was making an orderly withdrawal from business. No date for closure was given but the assumption is that the company will concentrate on closing forward trading commitments on the London Metal Exchange and other commodity markets.

The Golodetz group, the main shareholders, said they considered futures trading peripheral to their main activity of physical commodity dealings.

**LONDON METAL EXCHANGE WAREHOUSE STOCKS**
Changes for week ending Dec 28
(Tonnes)

| | | |
|---|---|---|
| Aluminium | +4,375 | to 141,575 |
| Copper | −4,025 | to 126,375 |
| Lead | +300 | to 40,475 |
| Nickel | +36 | to 7,356 |
| Tin | +345 | to 22,520 |
| Zinc | −575 | to 29,125 |
| (Ounces) | | |
| Silver | +380,000 | to 51,998,000 |

## Futures taxation plea

BY OUR COMMODITIES EDITOR

A RADICAL change in the present "iniquitous" tax treatment of futures transactions is required to preserve London's role in international trade, according to a paper submitted by the British Federation of Commodity Associations to the Treasury.

The paper, which is backed by all the London futures exchanges, warns that unless changes are made to encourage investors to provide more liquidity for the UK markets a large part of international physical commodities trade will be increasingly diverted to the U.S. and possibly other developing futures centres.

It notes that the comparative growth rates of the UK markets compared with those in the U.S. is already much too small. Without the tax changes suggested, the paper claims that the London International Financial Futures Exchange (Liffe) will continue to be stunted in its growth and the new London agricultural futures contracts will be unable to establish themselves as the dominant market in the EEC.

The paper says there is only one answer. Investors in futures contracts should be subject to capital gains treatment, just like investors on the stock exchange, rather than having to face the prospect of paying the top rate (60 per cent) and being unable to offset losses against profits.

## Opec plan disappoints gas oil traders

By Our Commodities Editor

GAS OIL futures prices on the International Petroleum Exchange dipped to the lowest level for five months on Monday. The January delivery position lost $3.25 to $215.875 a tonne reflecting a generally gloomy view of Opec's proposed new price structure.

Traders said the whole plan was threatened by the opposition of Algeria and Nigeria to join in. At the same time, there are considerable doubts whether Opec will be able to operate the production monitoring scheme effectively.

Followers of charts are forecasting a move to still lower levels, although it is acknowledged that a spell of colder weather in Europe and the U.S. could help reverse the downward trend by stimulating demand.

● NEW ZEALAND has sold 6,200 tonnes of butter to the Soviet Union and is negotiating for further sales within the next few weeks. The Dairy Board would not reveal the price received giving rise to speculation that it may have sold the butter below the agreed GATT minimum of NZ$1,200 a tonne. The Trade and Industry Department said the Geneva meeting of GATT earlier this month allowed the sales of butter below the minimum in certain circumstances.

● INDIAN tea export earnings are likely to rise to a record Rs 7.5bn from 215m kilos sold in 1984, sharply up from Rs 4.38bn for 209m kilos in 1983, Mr R. Tripathy, chairman of the Tea Board, said.

● DEMAND for the 30,758 packages on offer at yesterday's London auction was good, the official report said.

Assams opened firm to dearer but closed with plainer sorts irregular and sometimes lower. Bright Africans showed little change while mediums were firm to dearer. Plainer sorts gained five to 10 pence.

## Dull end to gold futures' first decade

BY NANCY DUNNE

THE MAYOR of New York City struck a gold-plated bell and pandemonium broke loose on the floor of Commodity Exchange Inc (Comex).

A few minutes later, remembers Mr Charles Fedderbush, now a trader and broker but 10 years ago a clerk on the Comex floor, there was almost total silence from the few traders left in the new gold pit. The lull reigned for months.

It has been 10 years since President Gerald Ford signed an executive order permitting U.S. citizens to purchase, hold, sell and trade gold. The heady days of a sustained gold bull market are now a four-year-old memory, but Comex, which trades almost 99 per cent of all U.S. gold futures, threw a party anyway on Monday to celebrate a decade of gold trading.

Mr Lowell A. Mintz, former chairman of Comex, was among the 200 traders who crowded the gold pit that first day of trading. In the circus-like atmosphere, with the press out *en masse*, he says, everyone was anxious to make the first trade. Twenty or thirty traders claimed that they bid, he says, at the New Year's Eve party which followed that night.

Four U.S. exchanges initially entered the gold futures rush a decade ago, but it soon became clear that the race for the ascendant contracts was between Comex and the Chicago Mercantile Exchange (CME). During the next four years, the two exchanges ran neck and neck.

The CME concluded 1975 slightly ahead, having completed 407,000 gold trades to Comex's 394,000. Comex pulled ahead in 1976. In 1977 the CME traded 980,000 gold futures about 1,400 less than Comex.

It was not until 1979 that Comex almost doubled the CME's volume.

The New York Exchange, says Mr Fedderbush, has the more knowledgeable brokers, experienced in the way of metals which differed from those of livestock and currencies traded in Chicago.

Even more important, he says, the Comex telephones were almost in the ring. As volume exploded, Comex could produce the quickest trades.

Gold prices hit their record high on Comex—$875 an ounce—in January, 1980, before beginning a slow descent. By early 1983 the price stood at $500 an ounce.

Last February and March, it had dropped to $400, and last week it seemed poised to break through $300.

Everything seemed to conspire to dim gold's glitter. Inflation in the industrial world declined, along with oil prices. The indebted developing nations began selling off their central bank gold holdings to pay off their huge loans.

High interest rates have hit gold doubly hard. They made it more expensive to finance its purchase and storage and made interest-related investments more attractive than the risky metals.

Stability — always a nasty word in the futures business—seemed to set in, despite fears of the massive U.S. budget deficit.

The consensus among analysts is that gold has yet to hit bottom and may in fact plunge below $200. There are those, like Mr Fedderbush, who believe that people simply like to hold gold and the market will rise again.

Declining interest rates could make competitive investment, like money market certificates and treasury bills, less alluring. The dollar could weaken, starting a rally in precious metals. And political pressures, monetary policy or even complacency could lead to a resurgence in inflation.

To Mr Alan J. Brody, president of Comex, there is sufficient action in Comex gold-pit to have celebrated the contract's tenth anniversary. In the last decade, he says, Comex has gained world pre-eminence in setting the price of gold.

Thanks to a surge in options trading last year, trading volume in gold futures and options combined will run about 1.073m lots just behind the previous year's combined 1.077m volume.

"Because of the lack of volatility the markets have not been as profitable for the traders," says Mr Brody. "However, volume tends to hold up because of the ongoing commercial need of the market for an arbitrage, hedging and price discovery tool."

In the event that there is no resurgence this year in precious metals prices, Comex has an eye to a hedge of its own future with an expansion into other markets. These, however, says Mr Brody, "do not grow on trees."

Negotiations have been under way for the past 10 months with the New York Stock Exchange about a possible deal involving the New York futures exchange (NYSE). A merger or buy-out of sorts would give Comex traders access to NYSE's stock index contract, which in turn stand in need of the boost that new players could bring to the market. An agreement in the coming year would not be a surprise to the industry.

## Chinese buying improves NZ wool prospects

BY DAI HAYWARD IN WELLINGTON

Prospects for New Zealand's wool industry in 1985 are encouraging with reasonable if not spectacular prices anticipated.

The average price for NZ wool after the last sales of 1984 was 385 cents a kilo compared with 300 cents a kilo at the end of 1983, but it must be remembered the 20 per cent devaluation of the NZ dollar in July is reflected in the increase.

The average for the 1983-84 season ending last July was 296 cents. To hold its own this season, the price must not drop below 375 cents a kilo in the first seven months of 1985. By the end of the season next July, the average price is likely to be close to the 375-cent level.

Prices were volatile for the first few months of the 1984-85 season. In September for example the market indicator went from a relatively low 357 cents to a high 372 cents in just one week. Some individual wool types dipped in price but although the Wool Board bid on 9,000 bales in one month it bought only 1140 bales — about one per cent of the offering. In the same month it sold more than 16,000 bales from its own stockpile.

Growers' confidence that 1984-85 will be a satisfactory season was boosted by the resumed activity of China in the latter part of the year.

Already China has bought three times as much wool as it did last year, and there are encouraging signs that the Chinese will again be very active after auction sales resume in January.

The political climate for increased trade between China and New Zealand is extremely favourable with the new Labour government making strenuous efforts to build up its contacts and trade links with the People's Republic.

The New Zealand Wool Board signed a ten-year technical co-operation agreement with China in November and this should open up increased opportunities for using New Zealand wool by the developing Chinese industrial sector.

At the end of the year Japan and Eastern Europe were placing substantial orders. The economic recovery within New Zealand itself saw heavy competition from local mills and despite the projected rise in New Zealand's inflation rate back to double figures in 1985, the wool industry believes that local mills will continue to be heavy buyers.

Unfortunately for New Zealand not all of its old-established and major customers are showing an economic improvement. Belgium, France and the UK all have internal inflationary economic or industrial problems but the New Zealand growers hope that in 1985 they will all improve and be more active in the wool market. Demand from the USSR and reduced buying by Iran will put a check on 1985 prices, but hopefully bigger orders from the U.S. and Japan will offset this.

Heavier buying from the U.S. helped NZ ship more wool to its customers between July and December than for the same period last year.

From early December a dockers' strike held up container ships in NZ ports and on December 18 there was NZ$120m worth of wool sold but still waiting to be shipped. This was starting to clog up the distribution system.

New Zealand wool production will be up more than 26,000 tonnes this season—the largest jump in production ever recorded on NZ sheep farms. The reason for this was an excellent growing season—smaller than usual stock losses due to floods or droughts and, with a national flock now totalling 70m head, only a small increase in the weight of each fleece produces a substantial increase in the total clip.

The clip is expected to reach 390,000 tonnes but the Wool Board sees no real problem in disposing of this.

The quality of the wool going into the auction between January and July will be lower and of a coarser and shorter type than the offering in the last months of 1984. This will shave prices — unless there is an unexpected development which sends demand for wool sharply upwards.

## LONDON MARKETS

London Coffee prices ended 1984 on a weak note with March delivery futures closing £25 down on the day at £2,236 a tonne.

The market had been quiet for most of the day but a sudden downturn was triggered near the close by heavy selling by one or two big operators in New York.

The London cocoa futures market was quiet all day with prices closing little changed on balance. The December position expired with a £34 a tonne discount against March. Earlier in the month fears that there might not be sufficient deliverable cocoa to satisfy December contract requirements had driven the price to a modest premium over the March quotation.

Dealers described trading in sugar futures as "lacklustre." Prices ended the day a dollar or two lower reflecting the continued strength of the dollar. There were no fundamental developments to influence the market, the dealers said.

### MAIN PRICE CHANGES

in tonnes unless otherwise stated

| | Dec. 31 1984 | + or − | Month ago |
|---|---|---|---|
| **METALS** | | | |
| Aluminium | £1100 | ........ | £1100 |
| Free Mkt. | $1086/1125 | −12.5 | $1164/1194 |
| Copper | | | |
| Cash h Grade | £1140 | +11.75 | £1098.5 |
| 3 mths | £1139 | +6.75 | £1117.25 |
| Gold troy oz. | $306.00 | | $330.5 |
| Lead Cash | £340.5 | −48.5 | £330.5 |
| 3 mths | £326.5 | −0.25 | £329.75 |
| Nickel | £5987 | ........ | £5967 |
| Free Mkt. | 218/246c | +2 | 212/232c |
| Palladium oz. | $128.0 | | $136.50 |
| Platinum oz | $301.0 | | $317.25 |
| Quicksilver† | $300/310 | ........ | $295/305 |
| Silver troy oz. | 542.55p | −5.05 | 567.10p |
| 3 mths | 554.50p | −5.10 | 600.45p |
| Tin cash | £9965.5 | +25.5 | £9637 |
| 3 mths | £9922.5 | +15.0 | £9805 |
| Tungsten | $83.51 | ........ | $83.34 |
| Wolfram 22.04lb | $74/78 | ........ | $75/77 |
| Zinc | £682.5 | +2 | £645.5 |
| 3 mths | £678.5 | +1.0 | £646.75 |
| Producers | $900 | ........ | $900 |

| | Dec. 31 1984 | + or − | Month ago |
|---|---|---|---|
| **OILS** | | | |
| Coconut (Phil) | $550x | +10 | $990 |
| Palm Malayan | $585v | ........ | $600 |
| **Seeds** | | | |
| Copra Phil | ‡ | +5 | $600 |
| Soyabean (U.S.) | ‡ | −0.1 | $654.75 |
| **GRAINS** | | | |
| Barley Fut. Mar | ‡ | | £113.60 |
| Maize | ‡ | | £145.00 |
| Wheat Fut. Mar | ‡ | | £113.60 |
| No2 Hard Wint. | ‡ | | ‡ |
| **OTHERS** | | | |
| Cocoa Ft. Mar. | £1872.5 | −1.0 | £1852 |
| Coffee Ft. Mar. | £2270.5 | | £2245.5 |
| Cotton A index | | | 72.10c |
| Gas Oil Jan. | $215.875 | −3.125 | $226.5 |
| Rubber (kilo) | 65p | ........ | 80.0p |
| Sugar (raw) | $94.00xz | +1.50 | $113.5 |
| Wooltops 64s | 484p kilo | | 483p |

‡ Unquoted. v Jan. z Feb. y Jan-Feb. x Dec-Jan. † Per 75-lb flask. n Nominal. s Cents per pound.

### INDICES

**FINANCIAL TIMES**

| Dec. 31 | Dec. 28 | M'th ago | Year ago |
|---|---|---|---|
| 286.64 | 292.07 | 286.77 | 296.34 |

(Base: July 1 1952 = 100)

**REUTERS**

| Dec. 31 | Dec. 28 | M'th ago | Year ago |
|---|---|---|---|
| 1908.9 | 1904.9 | 1878.7 | 1975.6 |

(Base: September 18 1931 = 100)

**MOODY'S**

| Dec. 27 | Dec. 16 | M'th ago | Year ago |
|---|---|---|---|
| 965.6 | 966.4 | — | 1404.2 |

(Base: December 31 1931 = 100)

**DOW JONES**

| Dow Jones | Dec. 27 | Dec. 16 | Month ago | Year ago |
|---|---|---|---|---|
| Spot | 121.99 | 123.83 | — | 140.46 |
| Fut | 124.33 | 123.68 | — | 143.53 |

(Base: December 31 1974 = 100)

The market was very quiet and quotations showed only marginal fluctuations, reports C. Czarnikow.

Sales: 195 (1,490) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £186.50 (£184.00) a tonne for export.

### OIL

THERE WAS virtually no trading on the spot crude market on Monday. So spot prices quoted below relate to Friday's closing levels.

The New York Mercantile Exchange's futures markets were closed on Monday, but the London gas oil futures was open and traded down to the lowest level for five months reflecting scepticism about the weekend Geneva and Opec agreement.

**SPOT PRICES**

| | Latest | Change + or − |
|---|---|---|
| CRUDE OIL—FOB ($ per barrel) | | |
| Arab Light | 27.80-28.00 | −0.15 |
| Arab Heavy | 26.50-26.50 | — |
| Dubai | 27.10-27.30 | +0.35 |
| Brent Blend | 26.55-26.75 | −0.075 |
| W.T.I. (1pm est) | 26.40-26.45* | −0.30 |
| Forcados (Nigeria) | 27.05-27.65 | — |
| Urals (cif NWE) | 27.30-27.60 | — |
| PRODUCTS—North West Europe "cif" ($ per tonne) | | |
| Premium gasoline | 235-237 | −6.0 |
| Gas Oil | 216-217 | −1.5 |
| Heavy fuel oil | 180-184 | — |

All January, except * which is February

Petroleum Argus Estimates

### GAS OIL FUTURES

| Month | Yest'day's close | + or − | Business Done |
|---|---|---|---|
| | $ U.S. per tonne | | |
| Jan | 215.875 | −3.12 | 216.50-15.75 |
| Feb | 215.575 | −3.57 | 218.25-15.25 |
| March | 213.50 | −3.0 | 214.50-12.25 |
| April | 211.25 | −1.75 | 212.50-11.50 |
| May | 210.50 | −3.0 | 212.75-12.50 |
| June | 211.00 | — | — |
| July | 211.00 | — | — |
| Aug | 211.50 | — | — |

Turnover: 1,123 (1,709) lots of 100 tonnes.

### COPPER

| COPPER | a.m. Official | + or − | p.m. Unofficial | + or −† |
|---|---|---|---|---|
| High Grde | £ | £ | £ | £ |
| Cash | 1139.5-40 | +17.5 | — | — |
| 3 months | 1138.5-9.5 | +10.5 | — | — |
| Settlem't | 1140.5 | +17.5 | — | — |
| Cathodes | | | | |
| Cash | 1132-4 | +6.5 | — | — |
| 3 months | 1131-5 | +9.5 | — | — |
| Settlem't | 1130 | +5 | — | — |

Amalgamated Metal Trading reported that in the morning cash higher grade traded at £1,139.40. Three months £1,138, 37.5, 37, 37.5, 38, 39, 39.5. Kerbs: Higher Grade: Three months £1,141, 42.

Turnover: 9,775 tonnes. U.S. Producers: 63.00-67.00 cents per pound.

### TIN

| TIN | a.m. Official | + or − | p.m. Unofficial | + or −† |
|---|---|---|---|---|
| High Grde | £ | £ | £ | £ |
| Cash | 9995-10000 | +75 | — | — |
| 3 months | 9950-50 | +40 | — | — |
| Settlem't | 10000 | +75 | — | — |
| Standard | | | | |
| Cash | 9965-6 | +55 | — | — |
| 3 months | 9920-5 | +26 | — | — |
| Settlem't | 9966 | +40 | — | — |
| Straits E. | $29.15 | — | — | — |

Tin — Morning: Standard: Cash £9,960, 65, 66. Three months £9,920. Kerbs: Standard: Three months £9,930, 35, 30.

Turnover: 1,460 tonnes.

### LEAD

| LEAD | a.m. Official | + or − | p.m. Unofficial | + or −† |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash | 340-1 | −40 | — | — |
| 3 months | 325-7 | −.25 | — | — |
| Settlem't | 341 | −41 | — | — |

LEAD — Morning: Cash £365, 56, 54, 50, 43, 41, three months £327, 26.5, 26, 27. Kerb: Cash £345, 60, three months £326, 27, 28.

Turnover: 14,050 tonnes. U.S. Spot: 20.00-26.00 cents per pound.

### ZINC

| ZINC | a.m. Official | + or − | p.m. Unofficial | + or −† |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash | 682-3 | +1 | — | — |
| 3 months | 676-7 | +.75 | — | — |
| Settlem't | 683 | +1 | — | — |

ZINC—High grade Official/Unofficial prices: Cash am 740-746 pm. Three months at 715-725 am; Settlement 745.

Zinc—Morning: Three months £676, 77. Kerb: Three months £677.

Turnover: 3,475 tonnes. U.S. Prime Western: 45.00-45.75 cents per pound.

### ALUMINIUM

| Alumin'm | a.m. Official | + or − | p.m. Unofficial | + or −† |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Spot | 899.5-900 | −1.5 | — | — |
| 3 months | 922-.5 | −2.75 | — | — |

Aluminium — Morning: Cash £902, 900.5, 900, 899.5, three months £928, 27, 26, 25, 22. Kerb: Three months £922, 25, 26.

Turnover: 6,300 tonnes.

### NICKEL

| NICKEL | a.m. Official | + or − | p.m. Unofficial | + or −† |
|---|---|---|---|---|
| Spot | 4165-30 | +55 | — | — |
| 3 months | 4180-5 | +40 | — | — |

Nickel—Morning: Cash £4,125, three months £4,150, 60, 65, 70, 75, 80. Kerb: Three months £4,185, 50, 95.

Turnover: 888 tonnes.

### GOLD

**LONDON FUTURES**

| Month | Yest'days close | + or − | Business Done |
|---|---|---|---|
| | $ per troy ounce | | |
| Dec. | — | — | — |
| Feb. | 311.00 | +0.80 | 311.00-10.80 |
| April | — | — | — |

Turnover: 730 lots of 100 troy ounces.

**GOLD BULLION (fine ounce) Dec. 31**

| | | |
|---|---|---|
| Close | $308¼-309¼ | (£266¼-266¾) |
| Opening | $308½-309½ | (£265¾-266¼) |
| M'n'g fix | $309.00 | (£265.602) |
| Aft'n'n fix | $ — | (£ — ) |

**GOLD AND PLATINUM COINS**

| | | |
|---|---|---|
| Kr'g'r'nd | $312¼-313 | (£274¾-275¼) |
| ½ Krug. | $164¼-165 | (£141¾-142¼) |
| ¼ Krug. | $83¾-84½ | (£73¼-73) |
| 1/10 Krug. | $34¼-35 | (£30½-30¾) |
| Mapleleaf | $316¼-316 | (£274½-275¼) |
| New Sov. | $72-72½ | (£63-63½) |
| ½New Sov. | $44¼-46 | (£38¼-38¾) |
| Old Sov. | $75½-75 | (£63¼-64½) |
| $20 Eagle | $540-570 | (£466-491¼) |
| Noble Plat | $299-303¼ | (£258-261¼) |

### SILVER

Silver was fixed 5.3p an ounce lower for spot delivery in the London bullion market on Monday at 542.55p. U.S. cent equivalents of the fixing levels were: spot 628.8c, down 12.3c; three-month 640.9c, down 12.3c; six-month 655.6c, down 13.2c; and 12-month 687.2c, down 15.1. The metal opened at 548-551p (637-640c) and the fixing level was the close.

| SILVER per troy oz | Bullion fixing price | + or − | L.M.E. p.m. Unoffic'l | + or − |
|---|---|---|---|---|
| Spot | 542.55p | −5.05 | 541.5p | −7.5 |
| 3 months | 554.50p | −5.10 | 553.5p | −7.25 |
| 6 months | 567.90p | −4.80 | — | — |
| 12months | 594.40p | −4.45 | — | — |

LME — (2,000 oz contract): cash 541.5p (549p); three months 553.5p (560.75p). Turnover: 0 (0).

Turnover: 12 (53) lots of 10,000 oz.

Morning: large 1st ring untraded, 2nd ring cash untraded, three months 555.54, small untraded. Kerb: large untraded, small untraded.

### COCOA

The year closed with futures trading close to the £1,900 level having seen highs of £2,300 and a low point at £1,800. Physicals were rather inactive and only light nearby trading was seen today reports Gill and Duffus.

| COCOA | Yesterday's Close | + or − | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| Dec | — | — | 1850-1855 |
| March | 1871-1874 | −1.0 | 1882-1870 |
| May | 1885-1888 | −4.0 | 1896-1883 |
| July | 1891-1895 | −1.0 | 1908-1885 |
| Sept | 1861-1895 | +3.5 | 1895-1881 |
| Dec | 1840-1845 | +5.0 | 1846-1842 |
| Mar | 1865-1845 | +0.5 | — |

Sales: 2,263 (3,152) lots of 10 tonnes.

### COFFEE

| COFFEE | Yesterd'ys Close | + or − | Business Done |
|---|---|---|---|
| January | 2101-95 | −32.5 | 2252-95 |
| March | 2235-37 | −25.0 | 2259-28 |
| May | 2260-70 | +6.0 | 2290-50 |
| July | 2250-72 | +8.2 | 2285-62 |
| Sept. | 2258-60 | +7.5 | 2270-50 |
| Nov. | 2255-65 | +14 | 2265-22 |
| Jan | 2265-59 | +6 | 2640-40 |

Sales: 3,711 (2,688) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for December 28 Comp. daily 1979 134.13 (134.04); 15-day average 133.75 (133.83).

**LONDON futures markets for grain (barley and wheat), pigmeat, potatoes and soyabeanmeal were all closed on December 31. So were the New York Mercantile (crude oil, heating oil and platinum) and Cotton exchanges (cotton and orange juice).**

### GRAINS

| | WHEAT | | BARLEY | |
|---|---|---|---|---|
| Mnth | Yesterd'ys close | + or − | Yesterd'ys close | + or − |
| Jan | 109.60 | +0.05 | 110.90 | +0.05 |
| Mar | 113.00 | −0.25 | 115.20 | −0.10 |
| May | 116.75 | −0.25 | 118.70 | −0.20 |
| July | 118.70 | −0.25 | — | — |
| Sept. | 99.05 | — | 95.00 | −0.20 |
| Nov. | 101.25 | — | 101.22 | +0.10 |

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 14 per cent Jan 168.15, Feb 170.90, March 173.65 transhipment East Coast. U.S. No. 2 Soft Red Winter Jan 152, Feb/March 151.50. U.S. No. 3 Yellow/French Dec/Jan 146.50 transhipment East Coast. Barley: English feed fob Jan 115 buyer Boston. Rest unquoted.

### PIGMEAT

| Month | Yesterdays close | Previous close | Business done |
|---|---|---|---|
| | p. per kilo (deadweight) | | |
| Feb | 115.60 | 111.30 | 112.80-111.70 |
| April | 111.30 | 110.30 | 111.70-111.00 |
| June | 108.30 | 107.00 | 108.80-107.70 |
| Aug | 103.80 | 102.20 | 103.20-102.50 |
| Oct | 111.50 | 110.40 | 111.60-111.50 |
| Nov | 111.60 | 110.60 | — |

### POTATOES

| Month | Yesterday's close | Previous close | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| Feb | 46.60 | 46.30 | — |
| April | 54.70 | 54.50 | 54.90-54.50 |
| May | 57.40 | 57.60 | 57.50-57.40 |
| Nov | 70.30 | 70.50 | 70.20 — |
| Feb | 82.00 | 82.00 | — |

### SUGAR

LONDON DAILY PRICE—Raw sugar $94.00 (£81.00), up $1.50 (up £1.50 a tonne for Dec/Jan/Feb delivery. White sugar $135.00, up $1.50.

| No.6 Contract | Yest'day's close | Previous close | Business done |
|---|---|---|---|
| | $ per tonne | | |
| Mar | 118.8-119.2 | 118.4-118.6 | 120.6-118.8 |
| May | 126.0-126.2 | 126.4-126.8 | 127.2-126.0 |
| Aug | 136.4-138.6 | 135.6-136.0 | 137.2-136.4 |
| Oct | 145.2-145.4 | 145.0 | 144.2-145.6 |
| Dec | 150.2-150.4 | 148.2-149.2 | 150.2-150.2 |
| Mar | 164.4-165.0 | 164.0 | 165.2-165.0 |
| May | 171.0-172.0 | 170.0-171.4 | — |

## U.S. MARKETS

### NEW YORK

**ALUMINIUM 40,000 lbs; cents/lbs**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 4670 | — | — | 4735 |
| Feb | 4710 | — | — | 4780 |
| March | 4750 | 4780 | 4735 | 4820 |
| May | 4830 | — | — | 4900 |
| July | 4910 | — | — | 4980 |
| Sept | 4980 | — | — | 5055 |
| Dec | 5110 | — | — | 5175 |
| March | 5230 | — | — | 5295 |
| Jan | 5150 | — | — | 5215 |
| May | 5310 | — | — | 5375 |

**COCOA 10 tonnes; $/tonnes**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 2052 | 2056 | 2045 | 2056 |
| May | 2074 | 2080 | 2070 | 2081 |
| July | 2073 | 2080 | 2071 | 2080 |
| Sept | 2076 | — | — | 2083 |
| Dec | 2030 | 2025 | 2020 | 2037 |
| March | 2030 | — | — | 2037 |
| May | 2020 | — | — | 2027 |

**COFFEE "C" 37,000 lbs; cents/lbs**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 142.25 | 142.79 | 142.25 | 142.48 |
| May | 140.25 | 140.45 | 140.15 | 139.75 |
| July | 139.75 | 139.75 | 139.35 | 138.19 |
| Sept | 137.15 | 137.25 | 136.90 | 136.74 |
| Dec | 136.75 | — | — | 135.05 |
| March | 136.00 | — | — | 134.05 |
| May | 135.25 | — | — | 133.05 |

**COPPER 25,000 lbs; cents/lbs**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 56.40 | 56.25 | 56.20 | 50.90 |
| Feb | 56.80 | — | — | 56.95 |
| March | 57.20 | 57.40 | 57.00 | 57.40 |
| May | 57.85 | 58.10 | 57.65 | 58.10 |
| July | 58.45 | 58.65 | 58.20 | 58.80 |
| Sept | 59.05 | 59.40 | 58.95 | 59.50 |
| Dec | 60.00 | 60.15 | 58.85 | 60.60 |
| Jan | 60.30 | — | — | 60.95 |
| March | 61.00 | 61.25 | 61.25 | 61.70 |
| May | 61.70 | — | — | 62.50 |

**GOLD 100 troy oz; $/troy oz**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 307.5 | 307.0 | 307.0 | 308.0 |
| Feb | 309.7 | 310.0 | 309.2 | 310.0 |
| March | 311.7 | — | — | 312.0 |
| April | 313.8 | 314.0 | 313.3 | 314.0 |
| June | 318.5 | 315.5 | 318.0 | 318.6 |
| Aug | 323.4 | 322.5 | 322.0 | 323.4 |
| Oct | 328.6 | 328.0 | 328.0 | 328.4 |
| Dec | 333.5 | 334.2 | 333.0 | 333.7 |
| Feb | 339.5 | — | — | 339.4 |

**SILVER 5,000 troy oz; cents/troy oz**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 629.5 | 633.0 | 630.0 | 638.3 |
| Feb | 633.5 | — | — | 642.5 |
| March | 638.0 | 642.5 | 637.0 | 647.0 |
| May | 647.7 | 652.5 | 646.5 | 656.9 |
| July | 657.8 | 663.0 | 657.0 | 667.1 |
| Sept | 668.5 | 673.0 | 668.0 | 678.0 |
| Dec | 686.0 | 690.0 | 685.0 | 695.2 |
| Jan | 691.9 | — | — | 701.1 |
| March | 703.7 | — | — | 712.6 |
| May | 716.6 | — | — | 725.5 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 3.08 | 3.05 | 2.87 | 3.19 |
| March | 4.16 | 4.22 | 4.16 | 4.19 |
| May | 4.46 | 4.54 | 4.46 | 4.53 |
| July | 4.76 | 4.84 | 4.75 | 4.81 |
| Sept | 5.00 | 5.06 | 5.00 | 5.00 |
| Oct | 5.22 | 5.26 | 5.20 | 5.23 |
| Jan | 5.74 | 5.75 | 5.70 | 5.70 |
| March | 6.22 | 6.24 | 6.21 | 6.23 |
| May | 6.45 | — | — | 6.53 |

### CHICAGO

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Feb | 66.67 | 66.75 | 66.45 | 66.60 |
| April | 67.97 | 68.00 | 67.77 | 67.82 |
| June | 67.85 | 67.90 | 67.65 | 67.77 |
| Aug | 66.15 | 66.20 | 66.00 | 66.05 |
| Oct | 63.95 | 64.00 | 63.90 | 63.80 |
| Dec | 65.30 | 65.30 | 65.10 | 65.20 |

**LIVE HOGS 30,000 lbs; cents/lbs**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Feb | 53.32 | 53.60 | 53.25 | 53.45 |
| April | 49.97 | 50.20 | 49.75 | 50.00 |
| June | 54.67 | 54.70 | 54.30 | 54.70 |
| July | 55.00 | 55.00 | 54.75 | 55.00 |
| Aug | 53.96 | 54.10 | 53.52 | 53.85 |
| Oct | 49.25 | 49.25 | 48.90 | 49.20 |
| Dec | 49.30 | 49.45 | 49.20 | 49.30 |
| Feb | 48.95 | 49.25 | 48.60 | 48.55 |
| April | 46.02 | 46.02 | 46.02 | 45.75 |

**MAIZE 5,000 bu min; cents/56-lb bushel**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 269.2 | 269.2 | 267.2 | 267.4 |
| May | 276.4 | 276.6 | 274.4 | 274.6 |
| July | 280.4 | 280.4 | 278.4 | 278.2 |
| Sept | 277.6 | 277.5 | 275.4 | 275.2 |
| Dec | 273.2 | 274.0 | 272.0 | 272.0 |
| March | 284.5 | 284.6 | 283.0 | 283.0 |
| May | 291.2 | 291.2 | 289.0 | 289.4 |

**PORK BELLIES 38,000 lbs; cents/lbs**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Feb | 77.30 | 77.40 | 76.46 | 76.67 |
| March | 77.12 | 77.30 | 76.40 | 76.52 |
| May | 78.62 | 78.66 | 77.77 | 77.87 |
| July | 78.80 | 78.80 | 78.10 | 78.17 |
| Aug | 75.90 | 76.00 | 75.40 | 75.20 |
| Feb | 70.45 | 70.45 | 70.00 | 69.45 |
| March | 69.50 | 69.50 | 69.50 | 69.40 |

**SOYABEANS 5,000 bu min; cents/60-lb bushel**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 572.2 | 575.4 | 571.4 | 572.6 |
| March | 585.2 | 588.0 | 584.4 | 587.0 |
| May | 599.0 | 601.0 | 597.2 | 600.2 |
| July | 609.2 | 612.4 | 607.4 | 610.4 |
| Aug | 613.0 | 614.0 | 611.0 | 615.4 |
| Sept | 613.0 | 613.0 | 611.0 | 612.6 |
| Nov | 615.5 | 617.4 | 614.0 | 615.6 |
| Jan | 629.5 | 629.6 | 629.6 | 629.4 |
| March | 642.0 | — | — | 642.4 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 139.6 | 139.7 | 138.6 | 138.5 |
| March | 145.4 | 145.7 | 144.3 | 144.4 |
| May | 151.1 | 151.2 | 150.1 | 150.3 |
| July | 156.0 | 156.5 | 155.0 | 155.4 |
| Aug | 158.0 | 158.0 | 157.5 | 157.5 |
| Sept | 160.0 | 160.0 | 158.5 | 158.5 |
| Oct | 161.0 | 161.0 | 161.0 | 160.6 |
| Dec | 167.0 | 167.0 | 165.5 | 167.0 |

**SOYABEAN OIL 60,000 lbs; cents/lbs**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 25.72 | 25.86 | 25.70 | 25.87 |
| March | 24.91 | 25.10 | 24.85 | 25.03 |
| May | 24.61 | 24.75 | 24.55 | 24.76 |
| July | 24.23 | 24.65 | 24.20 | 24.47 |
| Aug | 24.07 | 24.30 | 24.05 | 24.12 |
| Sept | 23.65 | 24.00 | 23.60 | 24.05 |
| Oct | 23.75 | 23.75 | 23.75 | 23.85 |
| Dec | 23.55 | 23.60 | 23.50 | 23.45 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 347.6 | 349.0 | 345.4 | 346.6 |
| May | 341.0 | 341.2 | 339.0 | 340.0 |
| July | 334.0 | 334.2 | 332.4 | 333.0 |
| Sept | 335.2 | 335.2 | 334.0 | 334.2 |
| Dec | 345.2 | 345.2 | 344.6 | 344.4 |
| March | 350.4 | — | — | 350.0 |

SPOT PRICES—Chicago loose lard 26.00 (same) cents per pound. New York spot tin 523.00-538.00 (527.00-536.00) cents per pound.

## Brazil sugar surge boosts groundnut prospects

BY A SPECIAL CORRESPONDENT

AS A direct result of the tripling of the area planted to sugar cane in the state of Sao Paulo in the past ten years, Brazil should quadruple its production of groundnuts to 1m tonnes within four years. Groundnuts are increasingly being planted between one cycle of sugar and the next.

Brazil's production of groundnuts has slumped from 950,000 tonnes in 1972 to just over 250,000 last year, partly because the area planted to sugar cane in Sao Paulo, the main groundnut-producing state, has risen from 600,000 to 1.8m hectares in that time. Many farmers who used to plant groundnuts have switched to the far easier soyabean, or to sugar cane. Meanwhile, Brazil's exports of groundnut meal have been prejudiced by the bad publicity attracted by aflotoxin.

Sugar cane has a cycle of four or five years and after the final harvest is over in late September or early October the land is rested until the following March, when new seedlings can be planted.

However, farmers would clearly prefer to plant something in those 140 or so days, which coincide with the rainy season, when almost anything will grow. The options are rice, soya, sorghum, maize or groundnuts, but the growing cycle of most of these is longer than the time available.

Groundnuts have been found to fill the bill ideally. The crop is ready for harvesting about 115 days from planting and, unlike any of the alternatives, groundnuts impart valuable nitrogen into the soil. So an ideal marriage has come into being. As soon as the cane is cut groundnut contractors move in to plant on top-quality land which is among the best treated and fertilised in Brazil. Then, four months later, they leave it ploughed up ready for cane planting once again.

Earlier this year, after a series of serious disturbances in the sugar cane growing areas, the army of 350,000 cane cutters in Sao Paulo managed to extract a series of undertakings from the millers, including permanency of status. Cane cutters now have to be paid during the four months when there is no work on the sugar plantations. So one of the clauses of the contracts with the groundnut planters is that sugar workers should be employed to look after what is a labour-intensive crop, something which solved another problem.

Yields of groundnuts on the small plantations of between 10 and 30 hectares usual in Sao Paulo range between 1,000 and 1,500 kilos per hectare. Traditional groundnut farms are poorly capitalised family firms with little money available for fertilisers and pesticides for what is one of the most demanding of crops. Yields on the sugar cane growing lands have averaged 2,600 kilos per hectare and, as they are only likely to be planted to groundnuts every four or five years, these high yields can be expected to continue.

As an additional incentive to plant, the Government has quadrupled the minimum price paid for groundnuts this year, taking it far beyond inflation, which is running at 200 per cent, or the 300 per cent increase in prices of farm inputs. As a result the area being planted has increased by 20 per cent, and the harvest is anticipated to be up at least 25 per cent, to 300,000 tonnes in 1985. The Government hopes that within four years 1m tonnes can be grown, earning $300m from exports of nuts, oil and meal.

Traders are somewhat less confident. They are concerned that the price they must pay producers, will not permit a sufficient margin for profit, despite the world price being $1,000 a tonne for groundnut oil, compared with $590 for soya oil. Although no defence has been found against aflotoxin—a fungus which can damage the liver of animals which are fed groundnut meal, and humans too, if they eat enough nuts—it has been found, that if the crop is taken to a dry place immediately after being harvested, is dried and stored in a well-ventilated place, not being sacked until completely dry, the fungus will not increase beyond tolerable limits. Brazil is now exporting meal to Taiwan, Holland and Germany, selling 40,000 tonnes this year.

However, exports of oil are more attractive for Brazil. Groundnut oil sells at a premium price, and France is a particularly strong market. Groundnuts yield one of the highest amounts of oil per kilo of beans of any vegetable oil, and 410 grammes can be obtained, compared with 190 from a kilo of soya, making it doubly attractive.

If the export market does not turn out to be as profitable as the Government hopes, the solution will be to sell more oil internally, where it was the most commonly used, before the advent of soya, which now has 90 per cent of the cooking oil market. In this case, more soya oil could be exported.

A rule of thumb calculation shows that about 350,000 hectares of sugar growing land in Sao Paulo state alone, would be enough to produce more than 750,000 tonnes of groundnuts. Several other states, notably Mato Grosso do Sul, and Parana, are also becoming important sugar producers, and could grow groundnuts too.

An increase to 1m tonnes a year seems almost inevitable given the advantage it is bringing and the problems it is solving. This would take Brazil from eighth, to fourth place as a producer, after India, China and the U.S., and would also imply a large increase in exporting share, as the other major producers consume most of their own production.

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# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar ends quietly firmer

The dollar showed a small improvement in very quiet trading on Monday. The proximity of New Year ensured an early wind down in most sectors of the market with the little business seen confined to the odd small commercial order. Consequently the dollar retained its firm undertone based in the belief that the current rate of U.S. economic expansion did not require further stimulation by lower interest rates.

This assumption will be tested no doubt in the New Year. For the time being the dollar's attraction appears irresistible. The dollar closed at DM 3.1540, its best closing level for 11½ years and up from DM 3.1440 on Friday. Against the Swiss franc it improved to SwFr 2.6020 from SwFr 2.5905 and Y251.55 compared with Y250.40. It was also higher in terms of the French franc at FFr 9.6450 from FFr 9.6125. On Bank of England figures, the dollar's index rose from 144.6 to a record high of 145.0.

By contrast the pound finished the year at an all time closing low against the dollar of $1.1585-$1.1595, a fall of 50 points from Friday. Its trade weighted index closed equal to its all time closing low of 73.0, having touched 72.8 during the day. This was compared with Friday's close of 73.2. It was also weaker against the D-mark at DM 3.65 from DM 3.6575 and FFr 11.17 from FFr 11.18. It was unchanged against the yen at Y291.50 and slightly firmer in terms of the Swiss franc at SwFr 3.0150 from SwFr 3.0075. Uncertainty surrounding the possibilities of lower North Sea oil prices continued to have a depressing effect.

D-MARK—Trading range against the dollar in 1984 is 3.1500 to 2.5535. November average 2.9906. Trade weighted index 120.0 against 125.1 six months ago.

The dollar was fixed at DM 3.1480 against the D-mark in Frankfurt on Monday up from DM 3.1400 on Friday and the Bundesbank sold $9.4m. There were no obvious signs of Bundesbank activity in the open market, having sold small amounts in open trading on Friday. The fixing had been brought forward owing to the very small participation ahead of the New Year. Elsewhere sterling eased to DM 3.6550 from DM 3.6560 on Friday and the Swiss franc was lower at DM 1.2140 from DM 1.2143. Within the EMS the French franc was fixed at DM 32.67 per FFr 100 from DM 32.68 and the Belgian franc at DM 4.990 per BFr 100 from DM 4.9890.

### STERLING EXCHANGE RATE INDEX (Bank of England)

| | Dec 31 | Previous |
|---|---|---|
| 8.30 am | 73.1 | 73.0 |
| 9.00 am | 73.1 | 73.1 |
| 10.00 am | 73.1 | 73.1 |
| 11.00 am | 73.0 | 73.3 |
| Noon | 72.8 | 73.2 |
| 1.00 pm | 72.9 | 73.2 |
| 2.00 pm | 73.0 | 73.1 |
| 3.00 pm | 73.0 | 73.1 |
| 4.00 pm | 73.0 | 73.2 |

### £ in New York

| | December 31 | Prev. close |
|---|---|---|
| £ Spot | $1.1373-1.1590 | $1.1650-1.1660 |
| 1 month | 0.13-0.11 prem | 0.12-0.11 prem |
| 3 months | 0.37-0.34pm | 0.34-0.31 prem |
| 12 months | 0.08-0.28pm | 0.30-0.20 prem |

Forward premiums and discounts apply to the U.S. dollar.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu December 31 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 44.9008 | 44.7168 | −0.41 | +0.10 | ±1.5428 |
| Danish Krone | 2.14104 | 7.88805 | −1.88 | −1.38 | ±1.6421 |
| German D-Mark | 2.24184 | 2.23176 | −0.45 | +0.07 | ±1.1453 |
| French Franc | 6.87456 | 6.83069 | −5.64 | −5.12 | ±1.3659 |
| Dutch Guilder | 2.52595 | 2.51953 | −0.29 | +0.23 | ±1.3155 |
| Irish Punt | 0.72569 | 0.715023 | −1.47 | −0.08 | ±1.6677 |
| Italian Lira | 1403.49 | 1371.10 | −2.31 | −2.30 | ±4.0711 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### POUND SPOT—FORWARD AGAINST POUND

| Dec 31 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 1.1560-1.1640 | 1.1585-1.1595 | 0.13-0.10c pm | 1.19 | 0.38-0.34pm | 1.24 |
| Canada | — | 1.5300-1.5325 | 0.01-0.08c dis | −0.39 | 0.05-0.08dis | −0.0 |
| Nethlnd. | — | 4.11½-4.12½ | 1½-1¼c pm | 4.00 | 4½-4¼pm | 4.19 |
| Belgium | — | 73.25-73.35 | 4-9c dis | −1.06 | 7.15dis | −0.60 |
| Denmark | — | 13.07½-13.08½ | ¾-2¾ore dis | −1.43 | 3¼-4¾dis | −1.24 |
| Ireland | — | 1.1700-1.1735 | 0.48-0.62p dis | −5.53 | 1.18-1.46p d | −4.47 |
| W. Ger. | — | 3.64½-3.65½ | 1¼-1½pf pm | 4.11 | 4-3⅞pm | 4.32 |
| Portugal | — | 196.12-197.78 | 180-535c dis | −23.87 | 525-1640d | −22.04 |
| Spain | — | 201.14-201.61 | 60-85c dis | −3.43 | 160-185dis | −3.43 |
| Italy | — | 2.241-2.243 | 7½-11½lire dis | −9.08 | 21-28dis | −4.37 |
| Norway | — | 10.52¾-10.53¾ | 2-3½ore dis | −3.13 | 6½-8½dis | −2.80 |
| France | — | 11.16½-11.17½ | ⅞-1½c dis | −1.28 | 1½-2½dis | −1.07 |
| Sweden | — | 10.40-10.41 | 1¼-2¾ore dis | −2.19 | 3⅞-5½dis | −1.78 |
| Japan | — | 291-292 | 0.10-0.80y pm | 1.95 | 2.90-2.80pm | 3.77 |
| Austria | — | 25.66-25.72 | 6-4⅞gro pm | 2.54 | 18½-15pm | 2.58 |
| Switz. | — | 3.01-3.02 | 1½-1¼c pm | 4.98 | 4-3¾pm | 0.14 |

Belgian rate is for convertible francs. Financial franc 73.35-73.45. Six-month forward dollar 0.60-0.45c pm. 12-month 0.38-0.23c pm.

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| Dec 31 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.1560-1.1640 | 1.1585-1.1595 | 0.13-0.10c pm | 1.19 | 0.38-0.34pm | 1.24 |
| Ireland† | 0.9880-0.9930 | 0.9895-0.9905 | 0.55-0.48c pm | 6.25 | 1.43-1.33pm | 5.58 |
| Canada | 1.3192-1.3214 | 1.3192-1.3202 | 0.15-0.19c dis | −1.59 | 0.40-0.50d | −1.36 |
| Nethlnd. | 3.5470-3.5610 | 3.5570-3.5580 | 0.87-0.82c pm | 2.85 | 2.62-2.56pm | 2.91 |
| Belgium | 63.00-63.30 | 63.20-63.30 | 9-10c dis | −1.81 | 21-23dis | −1.39 |
| Denmark | 11.23½-11.28 | 11.25½-11.29 | 2-3ore dis | −2.65 | 8½-7½dis | −2.49 |
| W. Ger. | 3.1415-3.1560 | 3.1536-3.1545 | 0.81-0.76pf pm | 2.99 | 2.44-2.39pm | 3.06 |
| Portugal | 169-170¼ | 169¼-170¼ | 175-525c dis | −24.74 | 50-1450dis | −22.97 |
| Spain | 173.15-173.50 | 173.15-173.45 | 60-70c dis | −4.50 | 150-180dis | −3.82 |
| Italy | 1,927½-1,936 | 1,935-1,936 | 9-9½lire dis | −5.73 | 26-27dis | −5.47 |
| Norway | 8.07½-9.08 | 9.08¼-9.08¾ | 2.80-3.80ore dis | −4.36 | 2.75-0.75d | −4.07 |
| France | — | 9.64¼-9.64¾ | 1.80-2.10c dis | −2.43 | 4.65-5.10d | −2.00 |
| Sweden | — | 8.97½-8.98¼ | 2-3ore dis | −3.34 | 9¼-7¼dis | −3.01 |
| Japan | 251.00-251.60 | 251.50-251.00 | 0.57-0.50y pm | 2.56 | 1.65-1.55pm | 2.55 |
| Austria | 22.07-22.17 | 22.10-22.15 | 2¼-2gro pm | 1.29 | 8½-6½pm | 1.35 |
| Switz. | — | 2.6015-2.6025 | 0.96-0.90c pm | 4.32 | 2.58-2.50pm | 3.91 |

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 63.30-63.40.

### OTHER CURRENCIES

| Dec. 31 | £ | $ | | £ Note Rates |
|---|---|---|---|---|
| Argentina Peso | 206.97-207.42 | 178.65-178.81 | Austria | 90.50-25.80 |
| Australia Dollar | 1.4030-1.4045 | 1.2110-1.2120 | Belgium | 73.15-73.85 |
| Brazil Cruzeiro | 5,570-5,505 | 0,168-3,184 | Denmark | 15.00-10.13 |
| Finland Markka | 7.5560-7.5866 | 6.5315-6.5335 | France | 11.10-11.21 |
| Greek Drachma | 147.71-150.69 | 127.12-129.68 | Germany | 3.63¼-3.67½ |
| HongKong Dollar | 9.0515-9.0600 | 7.8200-7.8250 | Italy | 2220-2260 |
| Iran Rial | 109.15* | 93.80* | Japan | 285-294 |
| KuwaitDinar(KD) | 0.35270-0.35335 | 0.30468-0.30475 | Netherlands | 4.10¼-4.14¼ |
| Luxembourg Fr. | 73.25-73.35 | 63.20-63.30 | Norway | 10.50-10.61 |
| Malaysia Dollar | 2.8050-2.8200 | 2.4240-2.4290 | Portugal | 201-207 |
| New Zealand Dlr. | 2.4290-2.4340 | 2.0980-2.1020 | Spain | 198-208 |
| Saudi Arab Riyal | 4.1465-4.1555 | 3.5810-3.5880 | Sweden | 10.37-10.51 |
| Singapore Dollar | 2.5180-2.5390 | 2.1760-2.1815 | Switzerland | 2.99¼-3.03¼ |
| Sth African Rand | 2.2930-2.5040 | 1.9860-1.9900 | United States | 1.15-1.17 |
| U.A.E. Dirham | 4.2520-4.2590 | 3.6720-3.6730 | Yugoslavia | 276-306 |

* Selling rates.

### CURRENCY MOVEMENTS

| Dec 31 | Bank of England Index | Morgan Guaranty Changes% |
|---|---|---|
| Sterling | 73.0 | −17.4 |
| U.S. dollar | 143.0 | +00.9 |
| Canadian dollar | 90.8 | −3.1 |
| Austrian schilling | 110.0 | +3.1 |
| Belgian franc | 88.0 | −15.3 |
| Danish Kroner | 70.0 | −3.3 |
| Deutsche mark | 190.0 | +9.7 |
| Swiss franc | 138.9 | +5.4 |
| Guilder | 109.9 | +8.8 |
| French franc | 63.0 | −16.3 |
| Lira | 46.8 | −14.0 |
| Yen | 160.2 | +11.1 |

Morgan Guaranty changes: average 1980-1982=100, Bank of England Index (base average 1975=100).

### CURRENCY RATES

| Dec. 31 | Bank rate % | Special Drawing Rights | Europ'n Currency Unit |
|---|---|---|---|
| Sterling | — | N/A | 0.609846 |
| U.S. $ | 8 | 0.988805 | 0.708946 |
| Canadian $ | 10.09 | * | 0.935808 |
| Austria Sch. | 4½ | N/A | 13.6677 |
| Belgian Fr. | 11 | N/A | 44.7168 |
| Danish Kr. | 7 | N/A | 7.88805 |
| D mark | 4½ | N/A | 2.23175 |
| Guilder | 5 | N/A | 2.51953 |
| French Fr. | 9½ | N/A | 6.83068 |
| Lira | 10½ | N/A | 1371.10 |
| Yen | 5 | N/A | 178.052 |
| Norway Kr. | 8 | N/A | 6.44854 |
| Span'h Pta | ½ | N/A | 129.860 |
| Swedish K. | 9 | N/A | 6.35988 |
| Swiss Fr | 4 | N/A | 1.83830 |
| Greek Dr'ch | 20½ | N/A | 81.0428 |
| Irish Punt | 10¾ | N/A | 0.715023 |

*C$/SDR rate for December 28: 1.29671.

### EXCHANGE CROSS RATES

| Dec. 31 | Pound St'rling | U.S. Dollar | Deutsche m'k | J'panese Yen | FrenchFranc | Swiss Franc | Dutch Guild | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 1.159 | 3.650 | 291.5 | 11.17 | 3.018 | 4.120 | 2242. | 1.532 | 73.30 |
| U.S. Dollar | 0.863 | 1. | 3.154 | 251.9 | 9.645 | 2.603 | 3.558 | 1935. | 1.321 | 63.25 |
| Deutschemark | 0.274 | 0.319 | 1. | 79.85 | 3.060 | 0.826 | 1.129 | 614.2 | 0.420 | 20.06 |
| Japanese Yen 1,000 | 3.431 | 3.975 | 12.52 | 1000. | 38.30 | 10.34 | 14.13 | 7691. | 5.254 | 251.5 |
| French Franc 10 | 0.895 | 1.038 | 3.268 | 261.0 | 10. | 2.699 | 3.688 | 2007. | 1.371 | 65.65 |
| Swiss Franc | 0.332 | 0.384 | 1.211 | 96.68 | 3.705 | 1. | 1.367 | 743.5 | 0.508 | 24.31 |
| Dutch Guilder | 0.243 | 0.281 | 0.886 | 70.70 | 2.711 | 0.732 | 1. | 544.0 | 0.372 | 17.79 |
| Italian Lira 1,000 | 0.446 | 0.517 | 1.628 | 130.0 | 4.982 | 1.345 | 1.838 | 1000. | 0.683 | 32.69 |
| Canadian Dollar | 0.655 | 0.757 | 2.383 | 190.3 | 7.294 | 1.969 | 2.690 | 1464 | 1. | 47.86 |
| Belgian Franc 100 | 1.364 | 1.581 | 4.980 | 397.7 | 15.24 | 4.113 | 5.621 | 3059. | 2.089 | 100. |

### EURO-CURRENCY INTEREST RATES (Market closing rates)

| Dec. 31 | Sterling | U.S. Dollar | Canadian Dollar | Dutch Guilder | Swiss Franc | D-mark | French Franc | Italian Lira | Belgian Franc Conv. | Belgian Franc Fin. | Yen | Danish Krone |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Short term | 9⅛-9⅜ | 8⅜-8½ | 8¾-8¾ | 6⅛-5¾ | 4¼-4⅛ | 5¾-3⅞ | 11-11⅛ | 19-14 | 11-11¾ | 10¾-11 | 6⅛-6¼ | 19½-19¾ |
| 7 days' notice | 9⅛-9⅜ | 8⅜-8½ | 8¾-9¾ | 5⅝-5¾ | 3⅛-4 | 5⅝-5¾ | 10⅞-11 | 15⅛-16 | 10½-11¼ | 10¾-11 | 6⅛-6¼ | 11⅞-12⅝ |
| Month | 9⅛-9¼ | 8⅜-8⅝ | 9⅞-10⅛ | 5⅞-6⅛ | 4⅛-4⅝ | 5⅛-5⅜ | 10¾-10⅞ | 13⅛-14⅛ | 10⅛-11 | 10⅜-10⅞ | 6⅛-6⅜ | 11⅝-19⅛ |
| Three months | 9⅞-10⅛ | 8⅝-8⅞ | 9⅞-10⅛ | 5⅞-6⅛ | 4⅜-4⅝ | 5⅜-5⅝ | 10⅞-10⅞ | 14¼-14¾ | 10⅞-11 | 10⅜-10⅞ | 6⅛-6⅜ | 11½-12 |
| Six months | 10⅛-10¼ | 9⅛-9⅜ | 10⅛-10⅝ | 5⅞-6⅛ | 4⅛-4⅜ | 5⅛-5⅝ | 11-11⅛ | 14¼-14¾ | 10⅝-10⅞ | 10⅜-10⅞ | 6⅛-6⅜ | 11¼-11⅜ |
| One year | 10¼-10⅜ | 9⅛-9⅜ | 10⅛-10⅜ | 5⅞-6⅛ | 4⅜-4⅞ | 5⅛-5⅜ | 11½-11⅝ | 14¼-14⅝ | 10⅛-11 | 10⅜-10⅞ | 6⅛-6¼ | 11⅛-11⅝ |

Asian $ (closing rates in Singapore): Short-term 8½-8⅝ per cent; seven days 8½-8⅝ per cent; one month 8⅞-8⅞ per cent; three months 8⅞-8¾ per cent; six months 9⅛-9¼ per cent; one year 9¼-9⅜ per cent. Long-term Eurodollars: two years 10⅝-10⅞ per cent; three years 11⅛-11⅜ per cent; four years 11⅜-11½ per cent; five years 11½-11¾ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

## MONEY MARKETS

# UK rates show little overall change

Interest rates were hardly changed in London on Monday. Three-month interbank money was quoted at 9⅞-10⅛ per cent, unchanged from Friday, and three-month eligible bank bills were bid at 9⅝ per cent compared with 9¾ per cent. Overnight interbank money opened at 9½-9¾ per cent and eased to 9½ per cent before coming back to 10 per cent. The short end of the market appeared to attract most of the attention.

The Bank of England forecast a shortage of around £1,250m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £595m and the unwinding of the gilt stock/export credit repurchase facility draining a further £1,112m. These were partly offset by Exchequer transactions which added £25m and banks' balances brought forward £100m above target. In addition there was a fall in the note circulation of £400m.

To help alleviate the shortage, the Bank offered an early round of assistance totalling £401m and comprising purchases of £78m of eligible bank bills in band 2 (15-33 days) at 9½ per cent and £96m of eligible bank bills in band 3 (34-63 days) at 9½ per cent. In band 4 (64-91 days) it bought £5m of local authority bills and £232m of eligible bank bills all at 9½ per cent.

The Bank revised its forecast to a shortage of around £1,300m before taking into account the early help and gave further assistance in the morning of £510m. This comprised purchases of £69m of eligible bank bills in band 1 (up to 14 days) at 9½ per cent and £60m in band 2 at 9½ per cent. In band 3 it bought £25m of eligible bank bills at 9½ per cent and in band 4 £1m of local authority bills and £325m of eligible bank bills all at 9½ per cent. It also arranged sale and repurchase agreements on £30m of bills at 9½ per cent, unwinding on January 14.

The forecast was further revised to a shortage of around £1,400m before taking into account the earlier help and the Bank gave assistance in the afternoon of £358m, making a total of £1,369m. The afternoon help comprised purchases of £6m of eligible bank bills in band 1 at 9½ per cent and £45m in band 2 at 9½. In band 3 is bought £156m of eligible bank bills at 9½ per cent and in band 4 £40m of Treasury bills, £11m of local authority bills and £100m of eligible bank bills all at 9½ per cent. It also provided late assistance of £100m.

UK clearing banks' base lending rate 9½-9¾ per cent since November 23.

### MONEY RATES

| Dec. 31 | Frankfurt | Paris | Zurich | Amst'dam | Tokyo | Milan | Brussels | Dublin |
|---|---|---|---|---|---|---|---|---|
| Overnight | 5.5-11.0 | 11¼ | 2⅝-2⅞ | 6⅜-6¾ | 6.53125 | 16⅞-17¼ | 9.55 | 14½-14¾ |
| One month | 5.70-5.90 | 10¾-10⅞ | 4⅛-4⅜ | 5⅝-5¾ | 6.34375 | 15⅞-17⅛ | 15⅝-15⅞ | 14½-13 |
| Two months | 5.70-5.90 | 10⅞-10⅞ | — | — | — | — | — | 14⅞-15⅛ |
| Three months | 5.70-5.83 | 10⅞-10⅞ | 4⅛-4⅜ | 5⅝-5¾ | 6.28125 | 16⅞-17⅛ | 10⅝-10⅞ | 14⅞-15 |
| Six months | 5.70-5.85 | 10⅞-10⅞ | — | 5⅝-5⅞ | — | — | 15⅝-15⅞ | 14½-14¾ |
| Lombard | 5.5 | — | — | — | — | — | — | — |
| Intervention | — | 10¾ | — | 5¾ | — | — | — | — |

### LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

| Dec. 31 1984 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Company Deposits | Market Deposits | Treasury (Buy) | Treasury (Sell) | Eligible Bank (Buy) | Eligible Bank (Sell) | Fine Trade (Buy) |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 9¼-10 | 9¼-9⅜ | 9⅜-9½ | 9¼-9½ | — | — | — | — | — |
| 2 days notice | — | — | [illegible] | — | — | — | — | — | — | — |
| 7 days or | — | — | [illegible] | — | — | — | — | — | — | — |
| 7 days notice | — | [illegible] | [illegible] | [illegible] | [illegible] | — | — | — | — | — |
| One month | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Two months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Three months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Six months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | — | — | [illegible] | — | [illegible] |
| Nine months | [illegible] | [illegible] | [illegible] | — | — | — | — | — | — | — |
| One year | [illegible] | [illegible] | 10¼ | — | — | — | — | — | — | — |

| | Local Auth. negotiable bonds | Local Authority Deposits | Finance House Deposits | Cert of Deposits | SDR Linked Deposits | ECU Linked Deposits |
|---|---|---|---|---|---|---|
| One month | [illegible] | [illegible] | — | [illegible] | [illegible] | [illegible] |
| Two months | [illegible] | [illegible] | — | [illegible] | [illegible] | [illegible] |
| Three months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Six months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Nine months | [illegible] | [illegible] | [illegible] | [illegible] | — | — |
| One year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Two years | — | [illegible] | — | — | — | — |
| Three years | — | [illegible] | — | — | — | — |
| Four years | — | [illegible] | — | — | — | — |
| Five years | — | [illegible] | — | — | — | — |

ECGD Fixed Rate Export Finance IV: Average Rate of interest period December 5 1984 to January 1 1985 (inclusive): [illegible] per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from December 1 1984. London and Scottish Clearing Bank Rates for lending 9½-9¾ per cent. London Deposit Rates for sums at seven days' notice 5½-5¾ per cent. Treasury Bills: Average tender rates of discount [illegible] per cent. Certificates of Tax Deposit (Series 5): Deposit £100,000 and over held under one month 9½ per cent; one-three months 10 per cent; three-six months 10¼ per cent; six-nine months 10½ per cent; nine-12 months 10¾ per cent. Under £100,000 9½ per cent from November. Deposits held under Series 6 10 per cent. The rate for all deposits withdrawn for cash 7 per cent.

### MONEY RATES

NEW YORK (Lunchtime)

| | |
|---|---|
| Prime rate | 10¾ |
| Broker loan rate | 9¼-10 |
| Fed funds | [illegible] |
| Fed funds at intervention | — |

Treasury Bills

| | |
|---|---|
| One month | 7.80 |
| Two month | 7.60 |
| Three month | 7.84 |
| Six month | 8.18 |
| One year | 8.49 |

Treasury Bonds

| | |
|---|---|
| Two year | 99¾ |
| Three year | 101⅛ |
| Four year | 99⅞ |
| Five year | 101½ |
| Seven year | 103⅛ |
| 10 year | 101¼ |
| 30 year | 100⅞ |

## FT LONDON INTERBANK FIXING

(11.00 a.m. December 31)
3 months U.S. dollars

bid 8 5/16 — offer 8 11/16

6 months U.S. dollars

bid 9 1/16 — offer 9 3/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

## FINANCIAL FUTURES

# Eurodollars ease

Eurodollar prices were slightly easier in typically quiet end of year trading in the London International Financial Futures Exchange on Monday. Values were marked down mainly as a result of light profit taking. However, this tended to underline market sentiment that there was unlikely to be any significant drop in U.S. cash rates in the foreseeable future.

This was based on recent economic data which has suggested that the pace of U.S. economic growth is showing signs of accelerating. Consequently the prospects of the Fed instigating further cuts in rates to stimulate economic activity are diminished, according to market philosophy. The March price opened at 90.52 down from 90.60 on Friday but recovered to finish at 90.58. U.S. bond futures reflected much the same sentiment with the March price opening at 71-11 down from 71-20 and closing at 71-14.

Sterling-based instruments received little inspiration from cash markets and lost ground on sterling's depressing performance. The March gilt price fell to 106-10 from 106-18, having opened at 106-15 and three-month sterling deposits for March delivery slipped to 89.71 from 89.85. By contrast FT-SE values were boosted as equities continued to improve and the FT 30 share index closed at a record high.

### LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 90.58 | 90.58 | 90.52 | 90.60 |
| June | 90.00 | 90.02 | 90.00 | 90.05 |
| Sept | 89.53 | — | — | 89.56 |
| Dec | 89.03 | — | — | 89.12 |
| March | 88.69 | — | — | 88.76 |

Est volume 1,309 (1,079)
Previous day's open int 9,436 (9,700)

THREE-MONTH STERLING
£500,000 points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 89.71 | [illegible] | [illegible] | 89.85 |
| June | [illegible] | [illegible] | [illegible] | [illegible] |
| Sept | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec | [illegible] | [illegible] | [illegible] | [illegible] |
| March | [illegible] | — | — | [illegible] |

Est volume 327 (501)
Previous day's open int 5,521 (5,507)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 106-10 | 106-17 | 106-10 | 106-18 |
| June | 105-22 | 105-30 | 105-22 | 105-30 |
| Sept | 105-15 | — | — | [illegible] |
| Dec | 105-20 | — | — | [illegible] |
| March | 105-08 | — | — | [illegible] |

Est volume 868 (1,616)
Previous day's open int 3,860 (4,123)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −10 to −2 (32nds)

STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 1.1548 | 1.1610 | 1.1530 | 1.1619 |
| June | 1.1551 | — | — | 1.1604 |
| Sept | 1.1551 | — | — | 1.1602 |

Est volume 42 (1)
Previous day's open int 4,256 (4,285)

DEUTSCHE MARKS
DM 125,000 $ per DM

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 0.3189 | — | — | 0.3201 |

Est volume Nil (24)
Previous day's open int 138 (138)

SWISS FRANCS
SwFr 125,000 $ per SwFr

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 0.3874 | — | — | 0.3896 |

Est volume Nil (Nil)
Previous day's open int 133 (113)

JAPANESE YEN Y12.5m $ per Y100

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 0.3992 | — | — | 0.4010 |

Est volume 0 (6)
Previous day's open int 123 (128)

FT-SE 100 INDEX
£25 per full index point

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 122.95 | 123.05 | 122.80 | 122.50 |
| March | 123.15 | 123.30 | 122.95 | 122.70 |
| June | 122.95 | — | — | 122.75 |

Est volume 807 (177)
Previous day's open int 1,107 (1,103)

### CHICAGO

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 71-14 | 71-14 | 71-08 | 71-20 |
| June | 70-23 | 70-24 | 70-20 | 70-28 |

Est volume 223 (203)
Previous day's open int 1,327 (1,354)

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| March | 71-13 | 71-14 | 71-09 | 71-17 |
| June | 70-23 | [illegible] | [illegible] | [illegible] |
| Sept | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec | 69-17 | [illegible] | [illegible] | [illegible] |
| March | [illegible] | [illegible] | [illegible] | [illegible] |
| June | [illegible] | [illegible] | [illegible] | [illegible] |
| Sept | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec | [illegible] | [illegible] | [illegible] | [illegible] |
| March | [illegible] | [illegible] | [illegible] | [illegible] |
| June | [illegible] | [illegible] | [illegible] | [illegible] |

U.S. TREASURY BILLS (IMM)
$1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| March | 91.71 | [illegible] | [illegible] | [illegible] |
| June | 91.22 | [illegible] | [illegible] | [illegible] |
| Sept | 90.75 | [illegible] | [illegible] | [illegible] |
| Dec | [illegible] | [illegible] | [illegible] | [illegible] |
| March | [illegible] | [illegible] | [illegible] | [illegible] |
| June | [illegible] | [illegible] | [illegible] | [illegible] |
| Sept | [illegible] | [illegible] | [illegible] | [illegible] |

CERT. DEPOSIT (IMM)
$1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| March | [illegible] | [illegible] | [illegible] | [illegible] |
| June | [illegible] | [illegible] | [illegible] | [illegible] |
| Sept | [illegible] | [illegible] | [illegible] | [illegible] |

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| March | [illegible] | [illegible] | [illegible] | 90.58 |
| June | [illegible] | [illegible] | [illegible] | 89.99 |
| Sept | [illegible] | [illegible] | [illegible] | 89.50 |
| Dec | [illegible] | [illegible] | [illegible] | 89.07 |
| March | [illegible] | [illegible] | [illegible] | 89.72 |
| June | [illegible] | [illegible] | [illegible] | 89.38 |
| Sept | [illegible] | [illegible] | [illegible] | 89.06 |

STERLING (IMM) Se per £

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| March | [illegible] | [illegible] | [illegible] | 1.1635 |
| June | [illegible] | [illegible] | [illegible] | 1.1630 |
| Sept | [illegible] | [illegible] | [illegible] | 1.1625 |
| Dec | [illegible] | [illegible] | [illegible] | 1.1620 |

GNMA (CBT)
8% $100,000 32nds of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| March | 69-02 | 69-02 | 69-00 | 69-04 |
| June | 68-15 | 68-10 | 68-10 | 68-13 |
| Sept | — | — | — | 67-25 |
| Dec | — | — | — | 67-10 |
| March | — | — | — | — |
| June | — | — | — | 66-13 |



# £ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 31, 1984. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

| COUNTRY | CURRENCY | VALUE OF £ STERLING |
|---|---|---|
| Afghanistan | Afghani | 95.00 |
| Albania | Lek | 10.01 |
| Algeria | Dinar | (A) 5.91 |
| Andorra | French Franc | 11.17 |
| | Spanish Peseta | 201.570 |
| Angola | Kwanza | (CM) 63.154 |
| Antigua | E. Caribbean $ | 3.1295 |
| Argentina | New Peso | 207.193 |
| Greenland | Danish Kroner | 13.06 |
| Grenada | E. Caribbean $ | 3.1299 |
| Guadaloupe | Local Franc | 11.17 |
| Guam | U.S. $ | 1.1390 |
| Guatemala | Quetzal | 1.1590 |
| Guinea | Syli | 29.15 |
| Guinea-Bissau | Peso | 99.08 |
| Guyana | Guyanese $ | 4.8800 |
| Peru | Sol | exc(A) 10,603.5 |
| Philippines | Philippine Peso | 29.15 |
| Pitcairn Islands | £ Sterling | — |
| | New Zealand $ | 2.4913 |
| Poland | Zloty | 148.79 |
| Portugal | Portugu'se Escudo | 195.45 |

* Rate is the transfer market (controlled). †† Now one official rate. (1) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittance of foreign currency by Egyptians working abroad and tourists. (9) Banknote rate. (10) Rate for exports. (12) Rate for imports. (13) Essential imports. (14) Nearly all business transactions.

# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Industrial transformation

## How Sonessons made a technological leap

**David Brown reports on the Swedish group's change of course**

FIVE YEARS ago the Swedisb Sonessons group was a low technology manufacturer of stovepipes and kitcben sinks. Today, 60 per cent of its sales are derived from pharmaceuticals, electronics and medical equipment.

The architect of this transformation is Hans-Eric Ovin, a former IBM executive who recently pulled off the biggest coup of his six-year career at the helm of Sonessons by acquiriog Gambro, another Swedisb company which is the world's leading producer of kidney dialysis equipment. The takeover will increase Sonessons' expected 1985 sales by 50 per cent to SKr 6bn (£582m).

Sonessons first acquired a 23.4 per cent stake in Gambro early last year, but decided to tighten its grip when Gambro announced a sharp plunge in first baif profits. It raised its stake to 57 per ceot and Ovin then ousted Anders Althin as Gambro's managing director.

Ovin maintains that Gambro's managemeot had committed the cardinal sin of letting overhead costs grow way out of proportion to the rate of sales growth. "But they will balance their budget in the future, you can be sure," be says.

Ovin spent 20 years at IBM Europe, rising to vice-presideot for office products before leaving for top jobs at Kockums, the sbipbuilders, and Personen, a light engineering company later hought by Sonessons. When he took over at Sonessons in 1979, "you had to rent a theatre to bold a managemeot meeting," recalls his right-hand man and financial czar, Sven-Erik Persson.

Since then, through a programme of careful pruning and acquisition, both sales and profits have increased steadily. This year they are expected to exceed earlier targets by a substantial margin—indeed Ovin expects pre-tax profit to double SKr 400m.

Ovin's rationalisation of Sonessons involved the sale or closure of eight divisions and consolidation of the remaining operations into six uuits. He decentralised the management so that each division head became responsible for his own company and its subsidiaries. Word went out that, henceforth, only the major decisions would come to the bead office.

"Instead of telling every executive wbat he has a right to do, we reserve only a few areas wbere we feel we have to be included," says Ovin. "One of these is budget planning."

The guiding principle is to ensure that cost increases keep pace with actual market development. To put this into effect Ovin has developed a "balanced budget" guideline under which monthly costs and profits are judged against the broader growth pattern over a period of years.

"In a company with sucb decentralised control, it is essential to bave a very efficient early warning system," be says. "On the other band, I would be extremely disappointed in someone who did not unhalance their plans wben they ran into a real opportunity wbere a big investment could give exceptional growth io the future."

### Consensus

In order to promote strategic planning and resource allocation by managers—while at the same time discouraging any tendency hy them to over-protect their own particular patch—Ovin bas instituted a consensus system of decision making allied to a multi-tiered profit-sharing scheme.

Under the scbeme managers are paid a fixed salary, a bonus on the performance of their own group, and a further bonus on the results of Sonessons as a whole.

"The consensus system is unreasonable unless people can benefit from it," be says. "Now, when an acquisition is being planned, for instance, everybody knows they'll lose money if they don't oppose a bad business decision. Each manager is also aware that his colleagues stand to make or lose money depending on the performance of his own division."

To Ovin, the major challenge facing Sooessons today is successfully to integrate its new acquisitions in pharmaceuticals and medical equipment while at the sama time maintaining the momentum of growth. "We will probably not diversify into any new areas, but try to concentrate and expand wbere we already are," he says.

Within the past year, helped by its first foreign share issue in London which raised £17.4m, Sonessons acquired and combined two pharmaceuticals companies, Leo and Ferrosan. They now make up some SKr 800m of total sales.

The division is preparing to launch several new products within the next year, is to be publicly floated on the Stockholm bourse, and is "very aggressively" looking for foreign acquisitions, particularly to rectify an international marketing weakness.

(Among Leo/Ferrosan's products are an anti-smoking chewing gum, which has just been successfully introduced on the U.S. market, several drugs for prostate cancer treatment and a veterinary tranquiliser wbich is now being tested for human applications.)

Gambro, meanwhile, bas an annual turnover of SKr 1.4bn and is the world's leading producer of kidney dialysis equipment with a 22 per cent market share, sales operations in 22 countries and production in five. It is listed on both the Stockbolm and New York Stock Exchanges.

For tbe past five years, profits have climbed at an annual rate of 40 per cent but heavy investmeot costs and start-up problems bave caused it to stumble this year. Ovin has moved his deputy managing director, Berthold Lindquist, to take over as the new Gambro chief executive.

Intent on avoiding administrative foulups, he has no current plans to merge the two units. "Leo and Ferrosan are in for a very big expansion now, and Gambro has to work out its own prohlems. Then we'll see what the plusses and minuses of a merger might be." In the meantime, he says, they will co-operate in marketing, pharmaceuticals and diagnostics research, and prodoct development.

Excluding Leo/Ferrosan, and Gambro (which will not be consolidated until next year), the group bas focused on a number of highly specialised light engineering fields such as railway equipment, industrial batteries, power electronics and garage doors. In several cases it has become a world market leader.

"You might say many of these products, like pumps, are in the field of traditional engineering. But we like pumps when they give us a 30 per cent return on capital employed. Then we don't mind if they're not high-tecb," smiles Ovin.

Excluding Gambro, the group's singla largest unit is SAB NIFE, which produces hatteries, power electronics and railway equipment. It accounts for some 37 per cent of Sonessons' total estimated 1984 sales of SKr 4.1bn, and roughly half its profits.

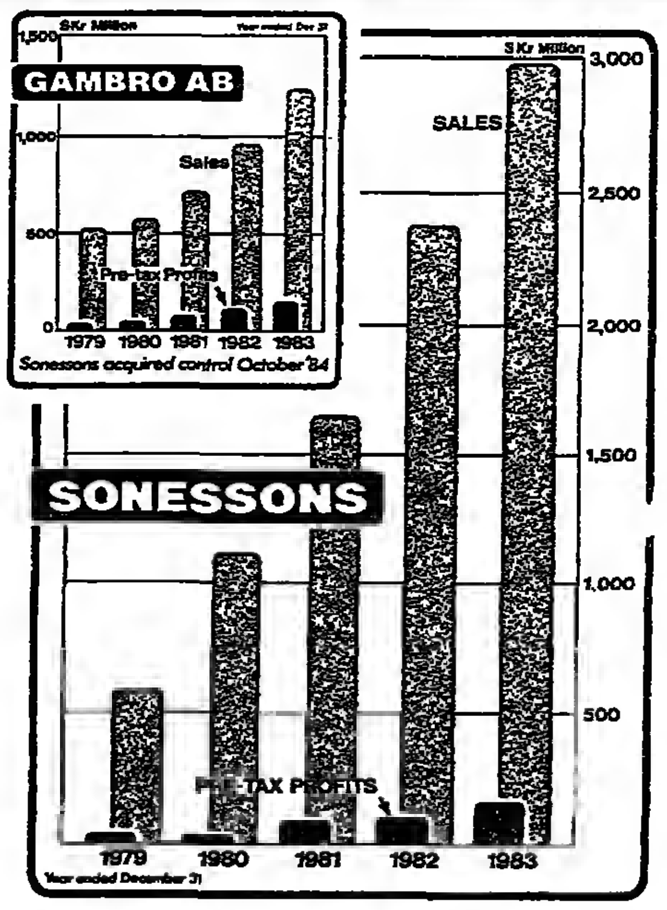
The unit claims some 40 per cent of the world market in nickel cadmium batteries and 80 per cent in railway braka regulators, and is aggressively moving into the Far Eastern market with new offices in China and Singapore.

Crawford, with sales of some SKr 700m, was purchased from Volvo in 1982. It has about 40 per cent of the European market for "up and over" industrial folding doors, and is developing systems for industrial wall cladding wbicb allow inexpensive changes in the basic layout of buildings.

"At this point," Ovin says, "we have an extremely high solvency of about 50 per cent and good profitahility. Gambro's problems are ouly temporary. It is reasonable for us to bring the solvency down to say 35 per cent and expand, both with new products and with acquisitions."

Having absorbed Gambro, Ovin acknowledges that Sonessons might itself become a target for takeover. The combination of government exchange controls and generally high profitability in tha top Swedisb exports firms has already lad to a number of spectacular acquisitions by cash-ricb companies this year.

Thus far, Sonessons' dominant owner bas been the Volvo motor group, which holds a 28 per cent stake after the Gambro acquisition, but "this could always change," he says. "Most Swedish companies have one major owner, and we are not in a situation to rank who would be welcoma and who would not."




## Small unit style for making big films

**Frank Lipsius on one approach to promoting entrepreneurialism within a bureaucracy**


Jerry Bruckheimer (left) and Don Simpson: autonomous but tied

AS corporate officers grapple with the problem of encouraging entrepreneurial talents within a bureaucracy, they might bave found it useful, as they sat during the bolidays in blackeued cinemas with their families, to have pondered how the film business bas dealt with this ticklish—and yet long-standing and pervasive—issue.

So pervasive is it in the film business, in fact, that studio heads themselves have become recognised for their business star quality, as demonstrated in September when Paramount Pictures lost three of its top people to other studios in the biggest shakeup in a decade. Michael Eisner and Jeffrey Katzenberg went to Disney and Barry Diller to Twentieth Century Fox in a shakeup that would bave been considered devastating in most fields, but in Hollywood is almost a trademark as familiar as the MGM lion.

Paramount fortunately bad both back-up talent and material to cover the sudden loss, which resulted in a realignmeot that saw Frank Mancuso, the company's distribution bead, being elevated to the cbairmanship of the highly successful unit of Gulf and Western Industries.

Bolstering Paramount against such sudden changes and keeping the material and films flowing is an arrangement it bas with half a dozen production units.

Under the arrangement, the creative units are autonomous but tied by an exclusive deal with Paramount. Exclusivity covers not only distribution of the producers' films but also using the Paramount lot to offset corporate overbeads and Paramount's rigbt to approve the films made under the deal.

In return—as for example with Don Simpsoo and Jerry Bruckheimer, producers of America's Christmas bit, Beverly Hills Cop—producers get offices at the studio and a flat advance. This is reported to be about $375,000 each a year for the four years of Simpson and Bruckheimer's deal. For that they have to do nothing. But when a film they propose is accepted and goes into production, their producers' fee is taken out against the advance. "If we do enough films," says Simpson, the more talkative of the pair, "we work off the advance just from making the film." The rest of their money comes from their participation in the film's success.

The arrangement encourages them to make films, even if they don't have to, so that the advance is covered and they can move more quickly into their profit participation on successful projects.

### Authority

The studio advances them the money for making the film. Several times, when questions of taste or prerogatives came up, Simpson acknowledged the final authority of the studio. "They write the cbeques," he says succinctly. Simpson, 38, was himself president of worldwide production at Paramount before stepping out of the corporate world to begin producing with bis long time friend, 40-year-old Bruckheimer. So Simpson spoke as an insider when he noted: "Some producers demand a discretionary fund of $500,000 or so, which they can spend without studio approval. I think it is foolhardy and not fruitful. If the studio doesn't want to do a project, it's better to go on to the next one. It's a relationship that depends on confidence."

Simpson and Bruckheimer are signs of a revival in the producers' role. Rather than ruhber stamp decisions by the studio director, they take an active part in picking the projects and seeing them through to completion. It took them two years to convince their 32-year-old director, Martin Brest, to do Beverly Hills Cop.

Now, it is leading the pack (said to ba accounting for one in every three cinema tickets sold in the run-up to Christmas) and beating, among other films, City Heat, a film starring Clint Eastwood and Burt Reynolds; 2010, the 2001 sequel; and Francis Ford Coppola's $47m Cotton Clnh, starring Richard Gere.

Even with the studio paying production costs, Simpson and Bruckheimer still have an incentive for bringing the film in within or even under budget. Since the studio recoups its costs before the profits are divided, a film that comes in under budget begins paying the profit participants, like the producers, sooner.

Of the Simpson Bruckheimer pair, it is Bruckheimer who combs the accounts to cut costs and make sure the budget is met. He notes: "On a $13.5m film, like Beverly Hills Cop, I could cut the cost by $2m using an independent studio rather them Paramount. So we negotiate it out with the studio."

Simpson adds: "There are hard dollars and soft dollars. The hard dollars is the money the studio actually spends for services to an outsider, rather than overheads they pay anyway but charge against our bndget." It is such allocations that keep Bruckheimer busy poring through the weekly computer printout of their production expenses. "They charged us $20,000 for striking the set," Bruckheimer recalls. "We had no set to strike, hut somebody was trying to get us to pay Paramount's people. I knocked it out."